



FINANCIAL REVIEW

and

STATEMENT OF ACCOUNTS

for the year ending

31 March 2021

SARAH PARFITT CPFA

Director – Corporate Services

DRAFT

TABLE OF CONTENTS

Narrative Report	5
1 Introduction from the Director (Corporate Services)	5
2 The Borough of Gravesham	7
3 Gravesham Borough Council	8
4 Our Strategy and Business Model	9
5 Key Performance Indicators – Our Performance in 2020/21	11
6 Impact of COVID-19	14
7 Climate Change	15
8 Financial Review	16
9 Commentary on the Primary Financial Statements for 2020/21	20
10 Principal Risks and Uncertainties	23
11 2021/22 and Beyond	27
12 Other Useful Information	27
13 Statement of Responsibilities for the Statement of Accounts	28
14 Accounting Policies, Standards and Critical Judgements	29
15 Core Financial Statements	48
Index to Core Statements and Notes	49
Comprehensive Income and Expenditure Statement	51
Balance Sheet	52
Movement in Reserves Statement	53
Cash Flow Statement	54
Notes to the Core Financial Statements	55
16 Group Accounts	98
Notes to the Group Accounts	102
Supplementary Financial Statements	106
17 Housing Revenue Account and Notes	107

TABLE OF CONTENTS

18	Collection Fund and Notes	115
19	Independent Auditors Report	119
20	Glossary of Terms	120

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Introduction from the Director (Corporate Services)

- 1.1.** I am pleased to present Gravesham Borough Council's annual Statement of Accounts for the year ending 31 March 2021. The Statement has been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting and is intended to allow interested parties to:
- Understand the overarching financial position of the Council and the outturn for 2020/21;
 - Have confidence in how the Council has used and accounted for the public funds that it holds;
 - Be assured that the financial position of the Council is sound and secure.
- 1.2.** I would like to thank the officers involved in closing the accounts and producing the financial statements that form a significant part of this document. This year is the first year that the Council is presenting its accounts including the financial information for its wholly owned company, Rosherville Limited and its subsidiary companies, Rosherville Property Development Limited and Rosherville Servicing Limited.
- 1.3.** The Council opened the year with a fully balanced ten-year Medium Term Financial Plan, with the council delivering £4.25m of base budget reductions in the preceding four years.
- 1.4.** 2020/21 very quickly became a financial year unlike any other. During the year the Council, alongside other public sector organisations, played its part in the national response to the Coronavirus (COVID-19) pandemic. The practical impact of the COVID-19 pandemic had started to emerge in late 2019/20, principally via the Prime Minister's speech to the nation on 23 March 2020 and the enactment of the Coronavirus Act 2020. During 2020/21 the Council's focus was rightly on supporting the residents and businesses in the borough through the devastating impacts of the COVID-19 pandemic by undertaking activity to:
- Provide support to vulnerable residents and those shielding.
 - Work with new and existing external partners and agencies.
 - Administer business support grants to support the local business sector.
 - Provide additional support to rough sleepers and those finding themselves homeless.
 - Provide financial support to economically vulnerable council taxpayers and to those required to self-isolate under the Test and Trace Scheme.
 - Maintain its local leadership role by ensuring ongoing communication with residents and businesses.
 - Support the NHS Vaccination Programme through the opening of a mass vaccination centre at The Woodville.
- 1.5.** Despite the additional pressures faced, the Council continued to deliver improvements and drive performance across those service areas important to its communities, most notably:

- Averaging 12.4 days for the processing of all new Housing Benefit claims, ahead of comparative national and Kent averages (17 and 16 days respectively).
- Responding to a significant increase in waste tonnage produced during the lockdown period and maintaining household recycling rates (44%), whilst delivering 99.8% of all scheduled bin collections in the borough.
- Completing 100% of emergency repairs on time to households in the borough.
- Improving planning application processing times, with 100% of major applications and 96.9% of non-major applications processed inside set government targets.
- Maintaining the payment of 100% of all valid and undisputed invoices within 30 days, an action of commercial importance to the council's suppliers.

1.6. The Council also continued to deliver strategic projects in support of its key corporate objectives:

- **The Charter Regeneration Project** – working with Rosherville Limited, the Council brought forward the second phase of its town centre development plan with commencement on site in Spring 2021.
- **Lower Thames Crossing** - In response to the Development Consent Order (DCO) submitted by Highways England, the Council provided a detailed response in order to raise concerns regarding the public consultation that was undertaken. This resulted in the DCO being withdrawn, following early consideration by the Planning Inspectorate.
- **Climate Change Actions** - the Council continued to deliver on its Climate Change pledge and in December 2020, produced its first Annual Report to update on the actions that the council has, and will continue to take to tackle climate change issues in the borough.

1.7. Inevitably, the Council's finances have been significantly affected by the pandemic. This Narrative Report which accompanies the Financial Statements is intended to provide interested parties with an understanding of the Council, its financial performance and the economy, efficiency and effectiveness with which resources have been deployed over the financial year.

S J Parfitt

Sarah J Parfitt CPFA

Director (Corporate Services) and Chief Financial Officer

2. The Borough of Gravesham

- 2.1.** Gravesham is located on the south bank of the River Thames in the north of Kent approximately 32km (20 miles) east of London. Covering an area of 105km² (40 miles²) it stretches from the River Thames in the north to the crest of the North Downs in the south. The borough has a striking urban-rural split; the rural area to the south of the borough and to the east of Gravesend makes up 78% of the whole borough and is largely constituted of Green Belt land.
- 2.2.** As at mid-2019, Gravesham had a population of 106,900, the lowest figure across the 12 Kent districts and representing a growth rate of 6.7% in the last 10 years. Despite the comparatively small resident population, Gravesham presents the third highest population density in Kent (10.8 persons per hectare (p/h), behind only Dartford (15.5 p/h) and Thanet (13.7 p/h). When considering the defined urban area of the borough, a figure of 37.4 p/h represents the most densely populated equivalent area in Kent.
- 2.3.** The population of the borough is extremely diverse with a vibrant mix of people; 14% of the borough's population were born outside of the UK and 23% of residents are of an ethnicity other than 'white British'. Supporting that position, as at January 2020 25.7% of primary school pupils did not have English as their first language, the highest figure in Kent, with 42.4% of pupils identified as 'non-white British'.
- 2.4.** Figures for life expectancy in the borough reveal an average age of 79.4 years for men, slightly below the national (79.6) average. For women, at 83.7 years life expectancy in Gravesham was ahead of the national average (83.2). In terms of inequality, there is a sizeable gap of 13.9 years for men and 7.7 years for women between the wards with the highest life expectancy and those with the lowest.
- 2.5.** The Annual Survey of Hours and Earnings 2020 presents that the average full-time weekly earnings for residents in the borough was £544.90, representing the second lowest figure across Kent districts and £62.20 below the Kent district average. For Gravesham residents working part-time, average weekly earnings were £205.70, £11.60 above the Kent average.
- 2.6.** As a proportion of the overall types of business in the borough, Gravesham posts the highest percentage of businesses in Kent in the following sectors; Construction (21.7%) and Transport and Storage (8.7%) – both within the highest 20% of authorities nationally. Conversely, Gravesham has the lowest proportion of employees in the 'knowledge economy' (Publishing, Scientific Research and Development and Higher Education) in Kent at 7% of all employees, within the lowest 20% nationally.
- 2.7.** As at April 2021, across Kent districts Gravesham had the second highest rate of people claiming unemployment benefits (Job Seeker's Allowance or Universal Credit) at 7.5%. Gravesham's outturn is higher than the county and national averages (5.9% and 6.3% respectively) and over double the equivalent pre-COVID-19 rate of 3.5%. In line most other Kent districts, proportionately the largest level of unemployment in population age groups is within the 18-24 category, of which 13.2% are unemployed, the second highest rate in Kent and ahead of the county average (9.3%).

3. Gravesham Borough Council

- 3.1. Gravesham Borough Council is a multi-functional organisation responsible for a wide range of services to the public and the community it serves. The community is represented by 44 elected Members, working on behalf of the 18 Wards within the borough.
- 3.2. During 2020/21 the political composition of the Council was Labour Group – 22, Conservative Group – 20 and Independents – 2.
- 3.3. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council has responsibility for the appointment of Members of the Cabinet and the new political administration has appointed seven members to Cabinet, each with their own specific portfolio of responsibility.
- 3.4. The decision-making processes of the Council are set out in the Constitution, with decisions taken primarily by Cabinet or the individual Cabinet Members held to account by the Overview Scrutiny Committee which is chaired by the Leader of the Opposition.
- 3.5. Supporting the Elected Members is an organisational structure led by the Council's Management Team. Management Team meetings are also attended by the Council's Deputy Monitoring Officer to ensure that the key statutory officers are represented at the most senior level of the Council.



- 3.6. In April 2020 the Council employed 524 people across two main sites: the Civic Centre in Gravesend and the Brookvale Depot in Northfleet. By March 2021 this had increased by 2.26% to 536.
- 3.7. Further information on the governance arrangements of the Council, including the Annual Governance Statement, can be found at: www.gravesham.gov.uk/corporategovernance
- 3.8. The 2020/21 Annual Governance Statement was reported to the Finance & Audit Committee in July 2021: [\(Public Pack\)Agenda Document for Finance and Audit Committee, 20/07/2021 19:30 \(gravesham.gov.uk\)](#)

4. Our Strategy and Business Model

- 4.1. The Council operates within a strict financial and regulatory environment. The actions of the Council are subject to internal review by the Council's Management Team and Elected Members as well as external review from the residents of Gravesham, the Council's External Auditor and other regulating bodies.
- 4.2. The Corporate Plan establishes a vision for the borough and, to that end, the future strategic direction of the Council. The plan is developed in full consideration of: the manifesto pledges of the administration; socio-economic intelligence outlining community need in the borough; consultation with residents; businesses and key stakeholders and the government's legislative programme.
- 4.3. The [Corporate Plan 2019-23: Delivering a Gravesham to be proud of](#), was adopted by Full Council in October 2019 and established three corporate objectives, each with its own portfolio of activities and initiatives:

#1 People	protected environment quality living	<i>A proud community; where residents can call a safe, clean and attractive borough their home.</i>
#2 Place	vibrant economy connected community	<i>A dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community.</i>
#3 Progress	entrepreneurial authority strong leadership	<i>An entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment.</i>

- 4.4. To be successful, it is vital that all corporate policies, strategies and business plans are fully informed, designed and resourced to support the delivery of our corporate objectives. In doing so, the Council has adopted an ongoing method of engaging all stakeholders: staff; Members; partners and residents; in order to inform, plan, review and ultimately deliver continuous improvement in council services; *the 'Golden Thread'*.



5. Our Performance in 2020/21

5.1. During 2020/21 the Council's activity heavily focused on supporting residents and businesses in the borough through the COVID-19 pandemic. Despite this, the Council also sought to deliver improvements to services and their local impact as well as take forward strategic projects to realise the longer-term vision for the borough. Key outcomes during 2020/21 were:

- The securing of planning permission for The Charter development in Gravesend Town Centre, with works commencing on site to deliver 242 dwellings and a new car park on the site.
- A significant increase in the number of environmental enforcement actions taken.
- A reduction in reported crime offences in the borough against the previous year.
- Maintenance of strong performance in the processing of new Housing Benefit claims and applications for the Local Council Tax Reduction Scheme.
- Achievement of the highest ever rate of household recycling in the borough (45%), whilst delivering 99.8% of all scheduled bin collections.
- The completion of 100% of emergency repairs on time to households in the borough, in addition to all routine repairs also being completed within set timescales.
- The preparation of a detailed response to the Lower Thames Crossing Development Consent Order (DCO) submitted by Highways England, which ultimately resulted in the DCO being withdrawn after early consideration by the Planning Inspectorate.
- A 40% reduction in corporate complaints received by the Council.
- 770 people achieving a target outcome from the Gr@nd's healthy living services.
- 100% of all valid and undisputed invoices being paid to suppliers within 30 days.
- The production of the Council's first Climate Change Annual Report in December 2020, providing an update to both Members and the public on the actions that the Council has, and will continue to take to tackle climate change issues in the borough.

1 PEOPLE

Ref	Performance Indicator	Outturn
PI 8	% of household waste recycled	44%
PI 13	Total number of environmental enforcement actions taken	79
PI 15	Gross number of affordable homes delivered	135
PI 23	Average processing time for Housing Benefit claims	12.4 days
PI 26	Total number of reported corporate complaints	209

2 PLACE

Ref	Performance Indicator	Outturn
PI 28	% rate of vacant town centre retail properties	12%
PI 33	% rate of resident unemployment	7.6%
PI 35	% of 'Major' planning applications processed on time	100%
PI 36	% of 'Non-Major' planning applications processed on time	96.9%

3 PROGRESS

Ref	Performance Indicator	Outturn
PI 45	Total rental income from property investments	£1,652,000
PI 48	% of income from commercial activity in relation to net revenue spend	19.6%
PI 49	% of posts involved in shared service arrangements	6%
PI 52	% of workforce IT-enabled for remote working	100%

- 5.2.** Further details of the Council's performance arrangements and reporting products can be found at: www.gravesham.gov.uk/performance.

Rosherville Limited

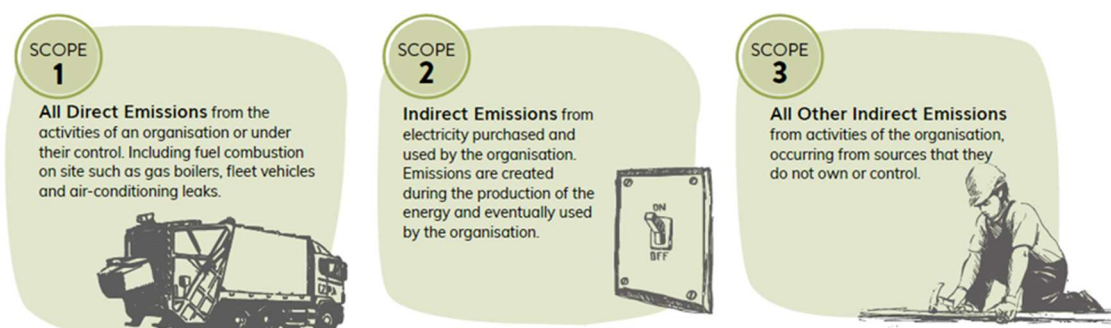
- 5.3.** In December 2019 Full Council approved the formation of a Local Authority Trading Company (LATCo). Rosherville Limited.
- 5.4.** In February 2020 the Council set in place the internal governance framework relating to the LATCo. This incorporated the adoption of a Shareholders Agreement and the establishment of a Shareholder Group as an advisory group to the Leader of the Executive in providing oversight of the performance of the Rosherville Group in terms of its financial performance, governance and general accountability.
- 5.5.** During 2020/21 Rosherville Servicing Limited and Rosherville Property Development Limited were formed as subsidiary companies of Rosherville Limited. The Accounts and filing history for Rosherville Limited and its subsidiaries can be viewed at Companies House once filed in accordance with statutory requirements.
- 5.6.** Following the commencement of activity by the Rosherville Group in 2020/21, and in conjunction with requirements of the CIPFA Code of Practice, Group Accounts are now presented in the Council's 2020/21 Statement of Accounts.
- 5.7.** As the majority of the Rosherville Group's financial activity has been with the Council, analysis has been undertaken to identify these transactions, and remove them for purposes of a consolidated Group position so that only external transactions for the Group as a whole are presented.
- 5.8.** The most notable items (when comparing the single-entity accounts of the Council to those of the Group) to draw readers' attention to are):
- £4,880k recorded in capital additions relating to The Charter development.
 - The removal of transactions within Long-Term Debtors and Long-Term Investments reflecting the Council's investment in the Rosherville Group and forward funding passed from the Council to the Rosherville Group anticipated for repayment.
- 5.10** It is anticipated that as activities of the Rosherville Group expand in future years, further disclosures will be presented – both in the written narrative and specific Group Accounts sections.

6. Impact of COVID-19

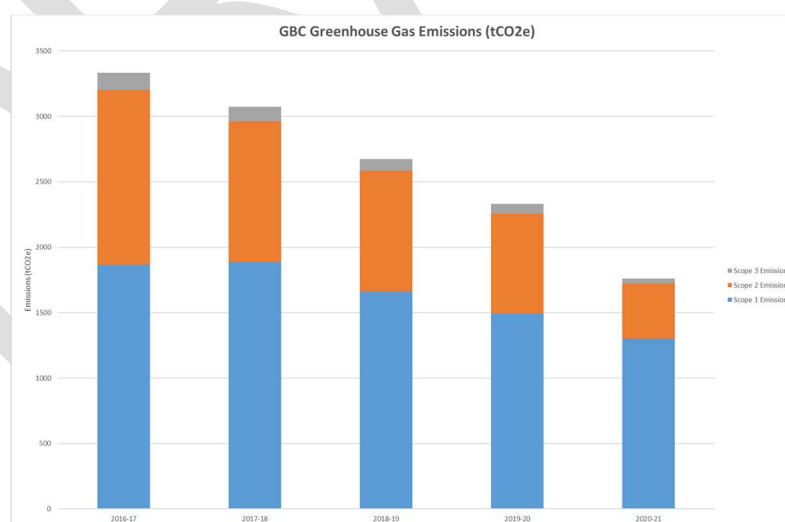
- 6.1.** As a local leader and place shaper, the Council's responsibility to support the local residential and business community came to the fore during 2020/21. In the months following 23 March 2020 the Council was part of the national response to the pandemic, both in terms of acting on behalf of Central Government in administering a range of support schemes and also acting more locally in terms of directing specific projects:
- Over 5,200 residents were directly supported by the Council having been identified through the NHS Shielding Programme or as extremely vulnerable.
 - The Council supported the national Test and Trace process and administered some £141k Test and Trace Support payments for those residents who were required or had been advised to self-isolate.
 - The Council worked with a number of partners and agencies to ensure the provision of support services to residents and businesses in the borough, including the delivery of food parcels and medicine collection. Specifically, new relationships were forged with the Foodbanks at the Hive and Riverside, North West Kent Volunteer Centre and Council for Voluntary Services and Alzheimer's & Dementia Support.
 - The Council supported the Kent Community Health NHS Foundation Trust to open a mass vaccination centre at The Woodville, only the second of its type to open in Kent.
 - In the first phase of lockdown, the Council allocated and distributed £15.2m to eligible businesses in Gravesham and was recognised as being in the top 5% of councils in England for getting this support out to businesses quickly. A further £4.1m in business support was paid out in the second and third phases of lockdown.
 - The Council acted swiftly to implement the Government's 'Everyone In' campaign, a national programme to facilitate a transition for rough sleepers from the streets in to safe accommodation, and to support those who were homeless at the time of the pandemic. An additional 23 people were placed in temporary accommodation by the council, including 4 rough sleepers.
 - Additional support totalling £893k was awarded via the Hardship Fund to support economically vulnerable people and households in the borough.
 - Support was provided to our tenants to help them maintain rent payments through the most challenging of circumstances presented by the COVID-19 pandemic.
 - In February 2021 the Council announced its innovative economic stimulus package as part of the annual budget for 2021/22, representing a number of progressive interventions to help the local business community plan for COVID-19 recovery in the short, medium and into the longer term.
- 6.2.** The Council received support from the Government in relation to the COVID-19 pandemic during 2020/21 of £1,787k through un-ringfenced grant, and loss of income compensation of £1,865k.

7. Climate Change Report 2020/21

- 7.1.** In June 2019 Gravesham Borough Council declared a climate emergency and made a commitment to make the Council's operations net-zero by 2030. To support this mission, an initial budget of £0.5m was set aside as part of the Council's budget setting process for 2020/21 to fund establishment of a Climate Change Strategy and implementation of a programme of targeted carbon reduction projects against remaining operational assets held by the Council.
- 7.2.** To 31 March 2021 the Council spent a total of £15k on preliminary climate change initiatives, including £12k for data analytics software which will be utilised to identify emissions savings across the Council's housing stock.
- 7.3.** The Council's total gross greenhouse gas emissions continue to be recorded against the three specific 'scopes' for categorising the emissions:



- 7.4.** Total gross greenhouse gas emissions for Scope 1, 2 and 3 for 2020/21 was 1,760.3 tCO₂e (tonnes of carbon dioxide equivalent – taking account of methane and nitrous oxide as well as carbon dioxide emissions). The graph below shows that there has been a clear reduction in Greenhouse Gas Emissions since 2016-17 levels.



- 7.5.** Looking ahead to 2021/22, the Council plans to further increase its provision in carbon neutral litter and recycling solutions across the borough as well as in its own operations. We will also be engaging with government agencies to help support us with developing our Climate Change Strategy as well as exploring options for external funding that will support us in developing setting out our roadmap to becoming carbon neutral by 2030.

8. Financial Review

8.1. General Fund

- 8.1.1. The revenue account known as the General Fund relates to the day-to-day operational cost of providing the Council's services.
- 8.1.2. In February 2020 the Council set its Budget Requirement for 2020/21 at £11.04m, largely financed by £7.51m of Council Tax income (including £0.37m for Parish Precepts) and £3.20m of retained Business Rates. To support the budget, the Council agreed an increase of 2.44% in the level of Council Tax from that charged in 2019/20. This resulted in a Band D Council Tax amount of £208.08. The original budget anticipated that the Council would be in a position to improve its financial resilience during the year and increase Working Balances by some £0.27m.
- 8.1.3. During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the Council website. The final outturn position for the year is shown in the table below, together with how this expenditure was financed.

General Fund Revenue Outturn 2020/21	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
All Directorate - Salaries	14,734	14,717	(17)
Chief Executive	(359)	(446)	(87)
Communities	(3,606)	(3,928)	(322)
Corporate Services	(106)	(967)	(861)
Housing & Operations	450	208	(242)
Planning & Development	26	(137)	(163)
Non-Directorate Specific	850	777	(73)
Directorate total	11,989	10,224	(1,765)
Interest & Investment Income	(861)	(806)	55
Government Grant Funding	(1,268)	(5,843)	(4,575)
Transfers to/(from) Reserves	(107)	7,173	7,280
Transfers to/(from) Balances	603	603	0
Transactions below the line	1,188	1,102	(86)
Budget Requirement	11,544	12,453	909
Business Rate Income	(3,699)	(4,014)	(315)
Council Tax Income	(7,144)	(7,188)	(44)
Parish Precepts	(368)	(368)	0
New Homes Bonus	(603)	(603)	0
Transfers to/(from) the Collection Fund	0	0	0
Transfer to Working Balances	270	270	0
Budget Shortfall / (Underspend)	0	550	550

- 8.1.4. The final outturn position for the year presented above differs from that reported as the provisional outturn due to a change in the accounting treatment of the St Georges Shopping Centre transaction. At the time of preparing the original draft outturn report, the Council was not aware of the outcome of the external auditor's challenge of the

accounting treatment of the St Georges Shopping Centre transaction that formed part of the 2018/19 audited accounts.

- 8.1.5. Full details, including notes on individual variances within directorates can be found within the Provisional Outturn Report as considered by the Cabinet on Monday 28 June 2021. Papers for the committee can be accessed at:
www.gravesham.gov.uk/cabinet.

8.2. Housing Revenue Account

- 8.2.1. The Housing Revenue Account (HRA) reflects the income and expenditure related to the provision of housing accommodation by the Council.
- 8.2.2. In February 2020, the Council set the 2020/21 budget on the basis that the HRA would be required to draw £1.4m from the General Reserve to produce a balanced position, principally to fund the capital programme for the year. As with the General Fund, the Council regularly reviewed the performance of the HRA against budget during the year, with these reports also available publicly from the Council website.
- 8.2.3. The final outturn position for the year is shown in the next table.

Housing Revenue Account Outturn 2020/21	Original Budget	Outturn	Variance over/(under)
	£'000	£'000	£'000
Income			
Dwelling Rents	(25,813)	(25,989)	(176)
Other Rental Income	(33)	(3,012)	(2,979)
Service Charges	(2,116)	(1,526)	590
Non Dwelling Income	(140)	(144)	(4)
Intensive Management Fund - Income	(521)	(509)	12
Other Income	(114)	(64)	50
Total Income	(28,737)	(31,244)	(2,507)
Expenditure			
Supervision and Management	6,037	6,263	226
Repairs and Maintenance	8,023	7,350	(673)
Depreciation	6,889	6,908	19
Supporting People Fund - Expenditure	662	660	(2)
Capital Financing Costs	8,516	7,337	(1,179)
Total Expenditure	30,127	28,518	(1,609)
Net transfers to/(from) Reserves	(1,390)	(274)	1,116
Net (Surplus)/Deficit for the year	0	(3,000)	(3,000)

- 8.2.4. The difference between the Original Budget and final outturn was mainly due to the impact of COVID-19 across a number of areas, but in particular its effect on delivery of the planned capital programme.

- 8.2.5. Full details, including notes on individual variances within the table above, can be found within the Outturn Report as considered by the Cabinet on Monday 28th June 2021. Papers for the committee can be accessed at: www.gravesham.gov.uk/cabinet

8.3. Capital Expenditure (General Fund and HRA)

- 8.3.1. Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the Council's strategic objectives and priorities.
- 8.3.2. In 2020/21 the Council spent £6.89m on General Fund capital schemes, including £3.42m on works to commence development of The Charter site.
- 8.3.3. For Housing capital schemes, expenditure totalled £13.88m and included works to replace roofs, windows and doors on properties within the Council's housing stock as well as furtherance of the New Build and Acquisition programme to increase the supply of social housing for the residents of Gravesham.

8.4. Treasury Management Performance

- 8.4.1. Total investment balances (including Money Market Fund balances included in Cash and Cash Equivalent) as at 31 March 2021 stood at £40.54m, (31 March 2020, £43.00m). During 2020/21 the Council continued to operate a prudent investment strategy whilst also seeking to diversify the investment tools it utilised as a way of maximising returns in what continued to be a difficult investment market. The Council continued to have holdings in Property Funds and Multi-Asset Funds, as well as maintaining shorter-term deposits with the UK banking sector and Money Market Funds.
- 8.4.2. The Council also had £99.25 long-term borrowing as at 31 March 2021 (31 March 2020, £100.21m), with £28.39m associated with the General Fund and £70.86m associated with the Housing Revenue Account. This represents a decrease of £0.98m in long-term borrowing from 2019/20.
- 8.4.3. The Council achieved an average rate of return of 0.36% on its internally managed cash flow investments (including cash equivalents) for the year (2019/20, 0.96%). The average rate of return on Property Funds was 4.15% (2019/20, 4.07%), with the average rate of return on Multi-Asset Funds being 3.40% (2019/20, 4.75%).
- 8.4.4. The Council continues to be proactive in identifying and implementing new and innovative projects to deliver its Corporate Plan objectives and as furtherance to its activity to secure long-term financial sustainability. These projects may require forward-funding to realise ongoing revenue benefits for the Council. The most appropriate source of any funding will be determined at the point at which the required investment in the project is to be made.

8.5. The Level of Working Balances and Reserves

- 8.5.1. The Council's General Fund working balances stood at £9.26m as at 31 March 2021, while HRA working balances stood at £3.00m (working balances at 31 March 2020 were £8.94m (restated) and £3.00m respectively).
- 8.5.2. The Council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves, including revenue grants not yet applied, held as at 31 March 2021 (for General Fund and HRA purposes) is £21.84m (£14.94m at 31 March 2020). This increase in the level of reserves was primarily due to Section 31 grants totalling £4.58m that were received in 2020/21 and transferred to the NNDR (National Non Domestic Rate) Collection Fund Reserve in order to finance expected Collection Fund deficits over the next three years due to the COVID-19 pandemic.

9. Commentary on the Primary Financial Statements for 2020/21

9.1. Core Financial Statements

9.1.1. 2020/21 is the first year where the Council is required to produce a Group Account position incorporating the activity of Rosherville Limited, the Council's wholly-owned trading company, and its subsidiaries Rosherville Servicing Limited and Rosherville Property Development Limited. The accounts for these companies can be viewed at Companies House once filed in accordance with statutory requirements.

9.1.2. A summary of the Primary Financial Statements is provided below:

9.2. The Comprehensive Income and Expenditure Statement (CIES) (Page 51)

9.2.1. The CIES reports on how the authority has performed during the year and whether its operations have resulted in a surplus or a deficit. The CIES shows a surplus on the provision of services of £22.54m during 2020/21.

Comprehensive Income & Expenditure Statement	2019/20	Movement	2020/21
	Actual	during year	Actual
	£'000	£'000	£'000
Cost of Services	12,845	(23,449)	(10,604)
Other Income and Expenditure	(9,755)	(2,176)	(11,931)
(Surplus) or Deficit on Provision of Services	3,090	(25,625)	(22,535)
Other Comprehensive Income and Expenditure	1,774	(67,022)	(65,248)
Total Comprehensive Income and Expenditure	4,864	(92,647)	(87,783)

9.3. The Balance Sheet (Page 52)

9.3.1. The Council's Balance Sheet provides a snapshot of its financial position, showing what it owns and what it owes at the end of the financial year.

9.3.2. During 2020/21, the Council has seen a greater increase in the value of its assets than its liabilities, resulting in an increase in its net worth during the year of £87.78m. This is primarily due to valuation increases in HRA Council Dwellings, reflected within Property Plant Equipment in the balance sheet.

NARRATIVE REPORT

Balance Sheet	31st March 2020	Movement during year	31st March 2021
	£'000	£'000	£'000
Non-current Assets	440,941	96,276	537,217
Current Assets	33,969	6,254	40,223
Current Liabilities	(24,394)	(7,902)	(32,296)
Total Non-Current Assets plus Net Current Assets	450,516	94,628	545,144
Non-Current Liabilities	(165,056)	(6,845)	(171,901)
Total Assets less Liabilities	285,460	87,783	373,243
Financed by:			
Unusable Reserves	(244,873)	(82,232)	(327,105)
Usable Reserves	(40,587)	(5,551)	(46,138)
Total Net Worth	(285,460)	(87,783)	(373,243)

9.4. The Movement in Reserves Statement (MIRS) (Page 53)

- 9.4.1. The MIRS shows movements in the level of reserves held between the end of the last financial year and the end of the current financial year. The MIRS is separated between those reserves that are available for use in funding ongoing revenue expenditure (Usable Reserves), and those that are required to be held for accounting purposes (Unusable Reserves).
- 9.4.2. The MIRS shows that the total reserves of the Council increased during 2020/21 by £87.78m. This was primarily due to an increase in valuation of Council Dwellings within the Housing Revenue Account and is reflected within the increased Unusable Reserves at the year-end.

Movement in Reserves Statement	Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance at 31st March 2020	(40,587)	(244,873)	(285,460)
(Increase)/decrease in year	(5,551)	(82,232)	(87,783)
Balance at 31st March 2021	(46,138)	(327,105)	(373,243)

9.5. The Cash Flow Statement (Page 54)

- 9.5.1. The Cash Flow Statement sets out the Council's cash receipts and payments during the year for both capital and revenue purposes. It summarises in simple terms sources of financing, and how funds were spent.
- 9.5.2. During 2020/21, there was an increase of £0.81m in the Council's level of cash and cash equivalents by year-end.

NARRATIVE REPORT

Cash Flow Statement	2019/20	Movement during year	2020/21
	£'000	£'000	£'000
Net (Surplus) or Deficit on the Provision of Services	3,090	(25,625)	(22,535)
Adjustment to the net (surplus)/deficit on the provision of services	(21,018)	31,103	10,085
Net Cash Flows from Operating Activities	(17,928)	5,478	(12,450)
Net cash flows from investing activities	12,404	(155)	12,249
Net cash flows from financing activities	5,379	(5,991)	(612)
Net (increase) or decrease in cash or cash equivalents	(145)	(668)	(813)
Cash and cash equivalents at the end of the reporting period	4,538	813	5,351

10. Principal Risks and Uncertainties

- 10.1.** The Council has a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The process requires judgements to be made on the likelihood and impact of a potential risk and enables the Council to develop and implement appropriate controls to manage or mitigate these risks to reduce the impact on the Council. The Council maintains a Corporate Risk Register which is updated at least annually and reviewed during the year by officers, and Members, including the Finance & Audit Committee, which is charged with maintaining an overview of the Council's risk and governance framework.
- 10.2.** The next table sets out the identified key risks to the achievement of the Council's strategic priorities in 2020/21:

Key risks to the achievement of the Council's strategic priorities in 2020/21			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Ongoing financial viability of the Council	12	<p>Continued review reserves and working balance to assess financial sustainability and appropriateness as a means to manage cash flow, future requirements and unexpected events.</p> <p>Continuation of the Council's financial strategy objectives and the core principles that underpin these.</p> <p>Development of a new Medium Term Financial Strategy once the outcomes of the Fair Funding Review and Retained Business Rates Scheme design are known.</p> <p>Continued maintenance of the Medium-Term Financial Plan and in-year modelling.</p> <p>Continuation of the programme of development for the council's Financial Management System.</p> <p>Monitoring of performance measures to assess compliance with budget monitoring arrangements.</p> <p>Proactive response to central government consultations on funding for local government.</p>	9

NARRATIVE REPORT

Key risks to the achievement of the Council's strategic priorities in 2020/21			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Changes in national priorities and legislative change	15	<p>Circulation of in-house monthly policy briefings and timely legislative updates.</p> <p>Proactive arrangements with partner agencies and key stakeholders to respond to consultations and policy papers from central government and react to changes in delivery.</p> <p>Business Continuity Plans to be reviewed and updated to ensure they remain fit for purpose. Member Induction Programme developed to support all Members elected to the Council, alongside a training and development plan for all Members.</p> <p>Foster effective working practices between departments to enable information sharing and coordination of responses on behalf of the Council, including regular updates to Members.</p>	12
Organisational capacity/resilience	15	<p>Effective oversight by the Council's Management Team on staff resourcing levels and deployment, apprenticeship opportunities, shared services and use of technology in service delivery.</p> <p>Implement actions to deliver the IIP Action Plan, including:</p> <ul style="list-style-type: none"> • annual staff appraisals to identify training needs and support workforce development. • Maintenance of the Joint Staff forum to provide a two-way communication channel with staff and staff representatives, including Trade Unions. • Promotion of access to support services for staff. • Consideration of the way in which the workforce can work more flexibly. <p>Ensure effective use of operational buildings used to deliver council services.</p> <p>Ongoing maintenance of Business Continuity plans to ensure that they remain fit for purpose.</p> <p>Develop information for local businesses or organisations on the importance of their own resilience.</p>	12

NARRATIVE REPORT

Key risks to the achievement of the Council's strategic priorities in 2020/21			
Risk	Assessed Risk Score	Mitigating Actions	Target Risk Score for year end
Universal Credit	12	<p>Continued liaison with key agencies such as Citizens Advice and Job Centre Plus (JCP).</p> <p>Signposting of customers to the CAB Help to Claim Service, JCP and GOV.UK as and when appropriate.</p> <p>Continued briefing of staff and Members.</p>	9
Cyberattack resulting in data breach or corruption of data	12	<p>Maintain and enhance existing security control arrangements.</p> <p>Implement enhancements to off-site back up arrangements for recovery site.</p> <p>Continue to be proactively engage with professional advice and support organisations such as the Kent Warning, Advice and Reporting Points (WARP) Group, the National Cyber Security Centre, the Kent Resilience Team and the LGA Cyber Technical Advisory Group. To include involvement in cyberattack workshops and Kent Resilience Forum exercises.</p> <p>Update departmental business continuity plans and the IT disaster recovery to take account of changes in storage infrastructure.</p>	9
Investment Risk	10	<p>Continue to maintain the Treasury Management Strategy Statement, Capital Strategy and Property Acquisition Strategy. Continue to provide and develop quarterly monitoring of treasury and commercial investment activity to report and review performance of the diversified investment portfolio.</p> <p>Maintain the commercial income protection reserve.</p> <p>Continue the close working relationship between Financial Services and Property Services to enable early identification of any risks or opportunities from the council's commercial property portfolio.</p> <p>Ensure that ongoing advice and support is sought from the council's Treasury and Economic advisors and other experts as required.</p>	9

- 10.3.** The previous table does not include risks that are below the Council's strategic risk tolerance threshold; these risks will be monitored and managed through the operational risk registers of Council departments. Further information on the Council's Risk Management arrangements can be found within the Policies, strategies, open data 7area of the Council's website: [Risk Management Strategy - Policies, strategies and open data – Gravesham Borough Council](#)

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11. 2021/22 and Beyond

- 11.1.** The financial environment within which the Council will operate in the future will remain challenging. At the end of the 2020/21 financial year the economic effects of the COVID-19 pandemic were still prevalent, adding to the ongoing uncertainty of future years' financial settlement and the structure of long-term funding arrangements for Local Government.
- 11.2.** Recognising this challenging operating environment, the council set in place a one-year Medium Term Financial Strategy for 2021/22.
- 11.3.** There is no doubt that the Council's longer term financial sustainability has been detrimentally impacted by the events of the last twelve months, which have coincided with a continuing and sustained period of financial uncertainty. The agreed budget for 2021/22 was developed taking into account information currently available at that time. Whilst previous financial stewardship had enabled the Council to be well-placed to respond to this situation, there is a recognition that there will need to be further work carried out during 2021/22 to ensure that the resources available to the Council continue to be applied effectively to ensure financial sustainability of the organisation in the longer term.

12. Other Useful Information

- 12.1.** As a public sector body, the Council is committed to being open, transparent and accountable in the way it works. Information on the Council's decision-making arrangements, Management Structure, Member Remuneration as well as contractual arrangements and spend data can be found on the Transparency pages of the Council website: www.gravesham.gov.uk/transparency

13. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

Gravesham Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Gravesham, that officer is the Director (Corporate Services);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts. In Gravesham, the Council has delegated the appropriate authority to the Finance & Audit Committee to discharge this responsibility.

The Director (Corporate Services) - Responsibilities

The Director (Corporate Services) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). There is a responsibility of the CFO to observe the CIPFA statement on the role of the CFO in public service organisations.

In preparing the Statement of Accounts, the Director (Corporate Services) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Director (Corporate Services) has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities, further details of which are contained in the Annual Governance Statement.

Certification of Director (Corporate Services)

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at the date shown and its income and expenditure for the year ended 31 March 2021.

Sarah J Parfitt CPFA

Date:

Certification of Chair of Finance & Audit Committee

I confirm that the adoption process for the 2020/21 Statement of Accounts has been formally completed and that the Financial Review and Statement of Accounts for the year ended 31 March 2021 was considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on xx xxxxxx 2024.

Cllr Gavin Larkins

Date:

14. ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS

14.1. General

Local Authorities are required to prepare their annual financial statements by the Accounts & Audit (England) Regulations 2015. The regulations require these statements to be prepared in accordance with 'proper accounting practice'.

Each year CIPFA produces a "Code of Practice on Local Authority Accounting in the United Kingdom" (The Code). The Code has been defined as proper accounting practice for the purpose of preparing the annual financial statements of the council and is based on approved accounting standards, comprising International Accounting Standards (IAS), International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board, International Public Sector Accounting Standards (IPSAS) and the Urgent Issues Task Force's (UITF) Abstracts.

The following Accounting Policies set out the general principles used by Gravesham Borough Council to prepare its annual financial statements.

14.2. Accounting Concepts & Qualitative Characteristics

In general, the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant, subject to and in accordance with the fundamental accounting concepts set out below:

Relevance

In accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the accounts are prepared to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds.

Reliability

The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability

The accounts are prepared to enable comparison between financial periods. To aid comparability, the Council applies its accounting policies consistently both during the year and between years.

Understandability

Every effort is made to make the accounts as easy to understand as possible. Nevertheless, there is an assumption that the reader has a reasonable knowledge of accounting and local government. Where the use of technical terms is unavoidable, explanations are provided in the Glossary of Terms.

Materiality

Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals

With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid. Bills for Council Tax and Business Rates are recorded as issued at 31 March and no attempt is made to accrue for bills due but not processed at the year-end. The Council has set a de-minimis level of £2,000 for final accounts accrual adjustments.

Going Concern

The accounts are prepared on the assumption that the Council will continue to operate for the foreseeable future.

Primacy of Legislative Requirements

Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect is included in the accounts.

14.3. Revenue Recognition

In accordance with IFRS15, revenue is accounted for at the point at which services are delivered to service recipients, not necessarily when cash payments are made or received. In particular:

- Revenue from the provision of goods and services is recognised when the Authority can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from Council Tax and Business Rates is measured at the full amount receivable, as they are non-contractual, non-exchange transactions. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.
- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies or services are received and their consumption; they are held on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

14.4. Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

14.5. Cash and Cash Equivalents

Cash and Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Available for sale assets are shown in the Balance Sheet at fair value, and all other investments are shown at their nominal value. Internally managed short-term highly liquid investments of three months or less from the date of acquisition are recognised as cash equivalents.

14.6. Assets Held for Sale (Current Assets)

These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed, and have an estimated sale date within twelve months of the Balance Sheet date. They are reported on the Balance Sheet date at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset. Assets available for sale are not subject to depreciation.

14.7. Property, Plant and Equipment**- Recognition**

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the authority and the services it provides for a period of more than one year.

In defining capital expenditure, the Council operates a de minimis consideration level of £12,000 for non-current assets. Any expenditure below this level is charged to revenue in the year of acquisition.

- Measurement

Initially the assets are measured at cost, comprising the purchase price plus any costs associated with bringing the asset into use. The measurement of an asset acquired other than through purchase is deemed to be its fair value.

In accordance with The Code, Property Plant and Equipment is further classified as:

- Council Dwellings
- Other Land and Buildings *
- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Infrastructure, Community Assets & Assets Under Construction – Depreciated Historical Cost
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing
- Surplus Assets – fair value, estimated at highest and best use
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost is used as an estimate of current value. Where non-property assets (such as Vehicles, Plant and Equipment) have short useful lives or low values (or both), Depreciated Historical Cost basis is used as a proxy for current value.

*These asset categories are revalued on a five-year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur.

- Depreciation

Depreciation is provided for on those Property, Plant and Equipment assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- newly acquired assets are not depreciated in the year of acquisition where this does not have a material effect upon the accounts.
- depreciation is calculated using the straight-line method.
- full depreciation is calculated in the year of disposal

ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS

The standard useful lives for each category of asset are up to the following number of years:

Asset	Depreciation Methodology
Operational Land	Depreciation is not normally provided for freehold Land. 50 years (usually relating to car parks)
Operational Buildings	Usually 50 years, although this can vary according to the individual asset
Council Dwellings	Suitable components are identified and valued at Beacon level, together with an estimate of each component's useful life which together form the basis of the annual depreciation calculation.
Infrastructure	40 Years
Vehicles, Plant & Equipment	Vehicles & Plant - 10 Years depending on the type of asset IT Equipment - 7 years depending on the nature of the asset Non-IT Equipment - 20 years depending on the nature of the asset

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as closely as possible to the periods expected to benefit from their use.

Depreciation is not normally provided for on freehold land and certain Community Assets (whether operational or non-operational) on the basis that such assets do not have a determinable useful life. Depreciation is also not provided for on assets which are not yet available for use (i.e. Assets Under Construction).

- Valuation

The freehold properties which comprise part of the Council's property portfolio have been valued at the direct request of the Council's Assistant Director (Corporate Services) in accordance with CIPFA's accounting arrangements. Valuations are undertaken by suitably qualified internal staff, or external firms as practicable in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Fixed plant and machinery is included in the valuation of buildings. Operational Properties are valued on open market (existing use) basis, or where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.

Council Dwellings are valued on Existing Use Value for Social Housing (EUV-SH).

- Components

The Council's policy is to account for components where the total asset has a gross book value in excess of £1m and where any individual component has a value in excess of £100,000. With regard to HRA dwellings, the major common components are identified within each Beacon type, and the value of each component divided by its useful life provides the annual depreciation charge.

- Impairment

Assets are assessed at each year-end to establish the possibility of impairment. Where indications exist and are estimated to be material, the asset is revalued and if lower than the carrying value, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of previous revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

- Disposal

Income from the disposal of Property, Plant and Equipment is accounted for on an accruals basis. Such income, following payment of any pooling liability to central government (in respect of housing capital receipts from the sale of dwellings through the Right to Buy (RTB) scheme), is included in the Balance Sheet within Usable Capital Receipts.

When an asset is disposed of or decommissioned, any receipt arising (net of selling costs) is set against the carrying value of the asset in the Comprehensive Income and Expenditure Statement, so comprising a gain or loss on disposal. Any remaining revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Proceeds in excess of £10,000 are categorised as capital receipts. A proportion of sales proceeds relating to HRA disposals is payable to the Government under pooling arrangements. Following the introduction of self-financing, and a revised RTB scheme, some elements of RTB proceeds have to be recycled to deliver new social housing.

Net receipts are credited to the Usable Capital Receipts Reserve to be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance via the Movement in Reserves Statement.

Any amounts written-off following a disposal is not a charge against council tax, as the cost of fixed assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

14.8. Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the local authority through custody or legal rights.

Intangible assets are measured at cost and are not subject to revaluations, they are amortised over their economic lives on a straight-line basis, typically over a period of 5 years.

14.9. Heritage Assets

Separate disclosure of the carrying amounts of the council's heritage assets is required at 'valuation', where that valuation can be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations if the authority can demonstrate that such a process would not add value to users of the accounts. Thus assets identified as Heritage Assets by Gravesham are reflected in the accounts at their insurance valuation, which is reviewed annually.

The initial recognition of the asset is in accordance with our accounting policy on recognising Property, Plant & Equipment (See 14.7). Where information on the cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, that asset is not be recognised on the Balance Sheet, and an appropriate disclosure is made instead.

Due to the historic nature of the assets within this category, depreciation is not applied.

14.10. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. The fair value of these assets can be attributed in three ways.

- Level 1 - Quoted prices in active markets for identical assets/liabilities that the authority can access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

Properties are subject to revaluation on an annual basis in accordance with market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment properties are not subject to depreciation.

14.11. Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts in relation the use of assets during the year;

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses used by the service (where these exceed accumulated gains held in the Revaluation Reserve)
- amortisation of intangible fixed assets used by the relevant service

14.12. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets. The expenditure items are generally outgoing grants, or expenditure on property not owned by the authority. Such expenditure incurred during the year is charged to the relevant service account in the Comprehensive Income and Expenditure Statement. Where the council has determined to meet the cost of the revenue expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is made. This reverses out the amounts charged against the General Fund Balance in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

14.13. Government Grants and Contributions

Government grants and contributions are recognised as due to the authority when there is reasonable assurance that;

- the Authority will comply with any conditions attached to the payments, and;
- the grants or contributions will be received.

Where conditions have not yet been complied with, the grants and contributions are carried within the Authority's Balance Sheet as creditors. When conditions are satisfied, grant and contribution amounts are released to the individual Service Revenue Accounts within the Comprehensive Income and Expenditure Statement.

Capital grants and contributions are credited to the Taxation and Non-Specific Grant line in the Comprehensive Income & Expenditure Statement where conditions are satisfied. Capital grants that have not yet been used to finance capital expenditure are posted to the Capital Grants Unapplied Reserve; those that have been applied are credited to the Capital Adjustment Account.

14.14. Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease.

Finance leases are accounted for when the risks and rewards relating to the leased asset are substantially transferred to the council, with rentals payable being apportioned between;

- a charge for the acquisition of the interest in the asset, with a liability in the Balance Sheet at the start of the lease, written down as leasing payments are due, and;
- a finance charge against Net Operating Expenditure in the authority's Comprehensive Income and Expenditure Statement as the leasing payments are due.

Assets recognised by way of finance leases are treated in the same way as Property, Plant and Equipment assets, with the only notable exception being that depreciation is

charged over the term of the lease where this is shorter than asset's estimated useful life. Finance leases are recognised within the Balance Sheet at fair value (at the date of the lease's inception).

14.15. Repurchase of Borrowing

Gains and losses on the repurchase of or early settlement of borrowing are credited and debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio and therefore;

- old debt is replaced with new debt by means of an exchange of debt instruments between an existing borrower and lender or the terms of an existing liability are modified, and;
- the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not substantial,

the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. In the case of the Housing Revenue Account, in accordance with Local Authority Accounting Panel (LAAP) Bulletin 26 the amount chargeable to the HRA is amortised over a maximum period of 10 years.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

14.16. Debtors and Creditors

The accounts of the Council are maintained on an accruals basis i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year, with the exception set out above (policy 2).

Debts due to the Council are recorded as they become due and the Debtors section of the Balance Sheet represents the amounts due during the year which remain unpaid at the year-end, from which a sum is deducted as an expected credit loss provision.

Interest payable is accrued to 31 March annually on all loans outstanding at that date. Interest on short-term investments due, but not received as at 31 March is also accrued where this is material.

Instalments of interest on Housing Act advances and deferred payments are brought into account on the day they fall due for payment, irrespective of the period to which they relate.

Housing Revenue Account gross rent income is brought into account for the full year irrespective of debit and collection dates.

14.17. Stocks and Long-Term Contracts

Vehicle fuel, and Woodville bar & catering stocks are valued at cost price.

Work-in-progress, representing uncompleted rechargeable jobs as at 31 March annually, is valued at cost including an allocation of overheads.

Long Term contracts are defined as “contracts entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods” The Council makes a disclosure in the notes to the Core Financial Statements in respect of any capital contracts that meet this definition.

14.18. Cost of Management and Support Services

The principles recommended by CIPFA (under the Service Reporting Code of Practice) on accounting for management and support services are followed with the following exceptions:

- the apportionment basis is derived from the estimated percentage allocations of the entire service across other services to whom activities relate
- costs are allocated based on the original budget set rather than the actual outturn for the year.

These exceptions are made in order to speed up the preparation of the accounts, the impact of which is not considered to be material.

14.19. Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation. When payments are eventually made, they are charged to the provisions carried in the balance sheet. Any under/over provision is then released/charged to revenue once the obligation has completed.

14.20. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Certain items such as the Revaluation Reserve and the Capital Adjustment Account can only be used for specific statutory purposes and thus are not available for discretionary purposes earmarked by the Council, further details of which appear in the Movement in Reserves Statement.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Statements concerning the purpose and usage of all provisions and specific reserves appear in the notes to the core financial statements.

14.21. VAT

VAT, whether of a capital or revenue nature, is included in the Comprehensive Income and Expenditure Statement only to the extent it is unrecoverable. The Council's partial exemption status is reviewed on an annual basis.

14.22. Employee Benefits

Three categories of employee benefits exist under IAS 19 and IPSAS 25 Employee Benefits, as detailed below.

Benefits payable during employment:

- a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees.
- b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period e.g. long-service awards

Termination benefits:

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred.

Post-employment benefits:

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits are not actually payable until employees retire, the commitment that the authority has to make those future payments must be recognised at the time that employees earn their entitlement. The Local Government Pension Scheme is administered by Kent County Council – this is a funded defined benefit final salary scheme, meaning that both the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Under International Accounting Standard 19 (IAS 19), the employer is required to recognise as an asset or liability the surplus/deficit in the pension scheme. The surplus / deficit in the pension scheme is the excess/shortfall of the value of assets when compared to the present value of the scheme liabilities. A pre-requisite of the introduction of IAS 19 was that it did not impact on taxation requirements. Where the contributions paid to the pension scheme do not match the change in the authority's recognised liability for the year, any such variance is dealt with by an equivalent appropriation to or from a pensions reserve. Actuarial gains/losses are shown as movements on the pensions asset/liability account and pensions reserve. There is no impact on the Comprehensive Income and Expenditure Statement. The Balance Sheet shows the net pension asset or liability and an equivalent pension reserve balance.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The amounts recorded in 2020/21 accounts are based on the contribution rates set following the valuation of the Kent County Council Pension Fund for funding purposes as at 31 March 2019. These rates took effect from 1 April 2020.

- Service Cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. [Note that the treatment of past service costs will depend on the decisions of the authority about how they are allocated to service segments].
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Kent County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

14.23. Expected Credit Loss Provision

The provision for expected credit losses is calculated having regard to the nature of the debt, its age and the likelihood of recovery. The calculations for each type of debt, i.e. Council Tax, NDR, Rents, Sundry Debtors etc. are based on historical evidence and the methodology and individual percentages applied to calculate the provisions are reviewed regularly.

14.24. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the

effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. This definition applies to the majority of financial liabilities. The only exception to this is borrowing associated with the St George's Centre / Aviva transaction.

14.25. Financial Assets

Financial assets are classified into the following categories:

- Financial assets at amortised costs
- Financial assets at fair value through other comprehensive income, and
- Financial assets at fair value through profit and loss

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

14.26. Financial Assets at Amortised Cost

Financial assets measured at amortised cost are those held with the objective to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable and other simple investments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made (loans at less than market rates), a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the principal outstanding.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

14.27. Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are those held whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest.

14.28. Financial Assets at Fair Value Through Profit and Loss

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or fair value through other comprehensive income. They are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus of Deficit on the Provisions of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the assets or liability.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

14.29. Expected Credit Loss

For all financial assets measured at amortised cost or at fair value through other comprehensive income, the Council recognises expected credit losses on the financial instrument. The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on financial assets where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision as an impairment gain or loss.

14.30. Fair Value Measurement of non-financial assets

The authority measures some of its non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell such an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quote prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

14.31. Events after the Balance Sheet Date

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included. These are known as 'adjusting events'.

Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the notes to the core financial statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements. These are known as 'non-adjusting events'.

St Georges Shopping Centre Transaction

The 2020/21 statement of accounts incorporates a transaction undertaken in 2018/19 relating to the St George's Shopping Centre and other associated land holdings in Gravesend town centre. During the 2019/20 audit process the external auditor challenged the treatment of the transaction as a finance lease, which was a continuation of the audited accounting treatment applied during 2018/19. Following a protracted period of assessment and discussion with the external auditor, it was accepted in Summer 2023 that the accounting treatment to be applied should be that of a loan arrangement. To this effect the Council restated its relevant financial statements and notes as part of the 2019/20 Statement of Accounts.

As a result of ongoing financial challenges and affordability surrounding the Shopping Centre transaction, the Council re-assessed its loan contract with Aviva. The outcome of this has been that in October 2023, the Council exited the arrangement with Aviva, financing its withdrawal by taking out new PWLB loans.

Lothbury Property Fund

The Council submitted a redemption request to the Lothbury Property Trust in June 2023 to withdraw its investment in the fund. In late 2022 and early 2023 all property funds saw an increase in the level of redemptions, largely due to defined benefit pension funds wishing to exit funds due to the economic climate. The level of redemption request to the Lothbury Fund was a significant proportion of its total fund size and as a result, Lothbury Property Fund suspended redemptions in the fund for a period of 12 months. The Lothbury Property Fund commenced with a planned asset sale and began considering alternative options for the fund going forward. At an EGM on 28 March 2024, a vote was passed to further extend the termination date by a maximum of 60 days to allow the final stages of the merger to be completed and enable those wishing to roll their investment to the new merged fund. The Council has indicated that it wishes to transfer its unitholding in the Lothbury Property Fund to the new merged fund.

14.32. Contingent Assets/Liabilities

Any contingent assets as at the Balance Sheet date are disclosed within the accounts by way of a note if the inflow of a receipt or economic benefit is probable.

Contingent liabilities as at the Balance Sheet date are disclosed within the accounts by way of a note if a payment or transfer of economic benefit is possible.

14.33. Council Tax & Business Rate (NDR) Income

The Council is a billing authority and as such is required to bill local residents and businesses for Council Tax and Business Rates. The Council acts as an agent on behalf of the major precepting authorities, Kent County Council, the Kent Police and Crime Commissioner and the Kent and Medway Fire & Rescue Authority for Council Tax, and Kent County Council, Kent Fire & Rescue Service and the Government for Business Rates.

Accordingly, the debtors and creditors in the Balance Sheet only show the amount owed by and to taxpayers in respect of Council Tax and Business Rates for the element relating to Gravesham Borough Council. Amounts relating to major precepting authorities will be shown as net debtors or creditors on the Balance Sheet.

The amount shown in the Comprehensive Income and Expenditure Statement as the demand on the Collection Fund includes the accrued amount of Council Tax and Business Rates collected as well as amounts from previous year's estimates. This adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

14.34. Group Accounts

Group Accounts are prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in other organisations.

In early 2020, Council Members approved formation of a Local Authority Trading Company (LATCo) Rosherville Limited, which is 100% owned by the Council as Shareholder. Two subsidiary companies were established during 2020 to deliver specific services.

Where applicable, the following principles will be followed:

Basis of Consolidation

Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council, incorporating significant or material balances of the LATCO. Any gains and losses arising from the LATCO will be fully reflected in the Comprehensive income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

Accounting Policies

Group Accounts will be prepared using consistent accounting policies where possible; where there are conflicting policies with IFRS requirements, then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where significant or material intra-group charges occur, they will be removed during consolidation of the accounts.

The decision to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group, not only the values are relevant, the interest to all stakeholders is also taken into account.

14.35. Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or standards are reflected by restating the comparable figures in the Statement of Accounts, together with a disclosure note detailing the reasons for such restatement.

14.36. Accounting Standards that have been issued but have not yet been adopted

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements. The planned adoption of IFRS 16 Leases under the 2020-21 Code has now been deferred to 2024-25, with an implementation date of April 2024.

14.37 Critical Judgments in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The critical judgments made in the Statement of Accounts are:

- **Future Funding for Local Government** – there remains a high degree of uncertainty around future levels of funding for local government, and at the time of producing these statements the UK was still fully understanding the economic effects of the COVID-19 pandemic. The Council forecasts its financial standing through its Medium Term Financial Plan and set out proposals to manage its future financial position within its Medium Term Financial Strategy. The Council is of the view that the level of uncertainty is not yet significant enough in terms of impact to warrant an impairment of assets due to the need to close facilities and reduce levels of service provision.
- **Group Accounting** - The Council has a management agreement with Gravesham Community Leisure Limited (GCLL), an Independent Prudential Society that operates the leisure centres owned by the Authority. Whilst the Council has an interest in GCLL and the entity is delivering a service of its own, it does not have exposure to the risk of a potential loss. Within the contractual agreement between the Council and GCLL, there are clauses relating to "profit sharing" which do not accrue any liability on the Council if operating income achieved is below the set targets. The contract also specifically indemnifies the Council against any losses in the event of the termination of the agreement and the winding up of the GCLL. It is therefore assessed that there is no group relationship.

The Council has an interest in Rosherville Limited and its subsidiary companies which are 100% owned by the Council. Accounting Policies for the preparation of Group Accounts are set out at 14.34. For the purposes of group accounting, these have been consolidated into an overall Rosherville Group position.

- **Property, Plant and Equipment** – Assets are depreciated over useful lives that are dependent on critical judgements and assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its

ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS

current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Similarly, if funding levels were reduced leading to service delivery reductions or the closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Authority has determined that the level of uncertainty at this time is not sufficient to indicate this course of action. For 2020/21, the valuer has reported continued valuation uncertainty in the light of the COVID-19 pandemic. The values in the report have been used to guide the measurement of the Council's assets at valuation in these financial statements. Having declared this uncertainty, the valuer has continued to exercise professional judgement in providing the valuation, using the best and most reliable information available at that time. The valuation uncertainty would have the greatest impact on Council Dwellings, where a reduction in market values of 10% would decrease the balance sheet values by £40.1m.

- **St Georges Shopping Centre** – Following external audit challenge during 2020 after the preparation of 2019/20 draft accounts, the Council sought external advice on the appropriate accounting treatment of the transaction and determined that the transaction between the Council and Aviva Investors is that of a loan arrangement rather than a finance lease. The Council's judgement is that only those direct entries which flow through its records and are explicitly inside its accounting boundary are reflected within the financial statements.

Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as shown in the next table:

Item	Uncertainties	Effect if Actual Result Differs from Assumptions
Property Valuations	<p>Revaluations of property, plant and equipment, investment property and surplus assets are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency.</p> <p>The COVID-19 pandemic was considered likely to impact upon PPE valuations – see note 15.6.</p> <p>The valuation of the Council's social housing stock has been based on the most up to date Land Registry house prices indices information at the date of the valuation. Given the small number of sales of valuations available each year for most of the beacons it is considered that using the Land Registry indices information provides a better overall indication of</p>	<p>PPE carrying value as at 31 March 2021 is £470.0m, and Investment Property is £38.1m. A 1% movement in the valuation of PPE and IP would therefore change the balance sheet carrying value by £5.08m.</p>

ACCOUNTING POLICIES, STANDARDS AND CRITICAL JUDGEMENTS

	the overall change in value of the Council's Housing Stock.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>A 0.1% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £3.88m.</p> <p>A 1-year reduction in life expectancy assumptions would result in a £9.37m decrease in the pension liability.</p>
Allowance for expected credit losses	Officers typically use an aged debt approach when considering allowances for expected credit losses (Collection Fund, Sundry Debt, Housing benefit overpayments, and HRA rents and service charges). Although the full impact of the COVID-19 pandemic was still unknown at the time of preparing the 2020/21 accounts, officers considered that more current debts which generally do not attract an allowance would be at greater-risk of non-payment than usual.	If a greater value of debts are non-collectible than allowed for, there will be an additional expense charged to the corresponding Collection Fund, General Fund and HRA accounts. Similarly, if actual credit losses are below the allowance, this has a positive impact as funds will be released.

CORE FINANCIAL STATEMENTS

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Index to Core Financial Statements

Comprehensive Income and Expenditure Account	51
Balance Sheet	52
Movement in Reserves Statement	53
Cash Flow Statement	54

Index to Notes to the Core Financial Statements

15.1	Expenditure and Funding Analysis	56
15.2	Other Operating Expenditure/Income	62
15.3	Financing and Investment Income and Expenditure	62
15.4	Taxation and Non-Specific Grant Income	63
15.5	Expenditure and Income analysed by nature	63
15.6	Property Plant and Equipment	65
15.7	Depreciation and Impairment	67
15.8	Heritage Assets	67
15.9	Investment Properties	68
15.10	Debtors	68
15.11	Cash and Cash Equivalents	69
15.12	Creditors	69
15.13	Capital Grants and Contributions Received in Advance	69
15.14	Provisions	70
15.15	Unusable Reserves	70
15.16	Usable Reserves	74
15.17	Adjustments Between Accounting Basis and Funding Basis under Regulations	79
15.18	Related Party Transactions	81
15.19	Member Allowances	82
15.20	Officer Remuneration and Exit Packages	82
15.21	External Audit Costs	83
15.22	Construction Contracts (Commitments under Capital Contracts)	84
15.23	Pension Costs	84
15.24	Capital Expenditure and Capital Financing	88
15.25	Contingent Assets	89
15.26	Financial Instruments and Financial Risks	89
15.27	Leasing	96

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Comprehensive Income & Expenditure Statement					
2019/20		2020/21			
Expenditure	Income	Net Cost	Expenditure	Income	Net Cost
£'000			£'000	£'000	£'000
521	(23)	498	522	(12)	510
10,804	(6,106)	4,698	8,944	(4,823)	4,121
32,215	(28,695)	3,520	32,126	(28,104)	4,022
21,072	(28,270)	(7,198)	21,955	(28,973)	(7,018)
4,339	0	4,339	(18,139)	0	(18,139)
9,705	(6,037)	3,668	9,795	(6,060)	3,735
1,716	(647)	1,069	1,981	(680)	1,301
2,251	0	2,251	864	0	864
82,623	(69,778)	12,845	58,048	(68,652)	(10,604)
(1,662)	(17)	(1,679)	139	(70)	69
7,887	(3,930)	3,957	6,299	(3,702)	2,597
	(12,033)	(12,033)		(14,597)	(14,597)
88,848	(85,758)	3,090	64,486	(87,021)	(22,535)
		2,451			(70,174)
		0			0
		(677)			4,926
		1,774			(65,248)
		4,864			(87,783)

BALANCE SHEET

At 31 March 2020		Balance Sheet		At 31 March 2021	
£'000		Notes	£'000	£'000	
	Property, Plant and Equipment	15.6			
	Operational assets				
320,813	- council dwellings		409,090		
46,188	- other land and buildings		42,899		
3,670	- vehicles, plant and equipment		3,805		
1,204	- infrastructure assets		1,057		
2,877	- community assets		2,877		
4,321	- assets under construction		10,050		
246	- land and buildings		246		
379,319	Total Property, Plant and Equipment			470,024	
255	Intangible Assets		245		
3,653	Heritage assets	15.8	3,666		
39,400	Investment Properties	15.9	38,070		
348	Long Term Debtors		2,573		
17,966	Long term Investments		22,639	67,193	
440,941	Total Non-Current Assets			537,217	
38	Inventories		19		
16,786	Short -term Debtors (Gross)	15.10	27,294		
(7,913)	Debt Impairment Provision		(8,441)		
4,538	Cash and Cash Equivalents	15.11	5,351		
20,500	Investments		16,000		
20	Assets Held For Sale		0	40,223	
474,910	Total Assets			577,440	
	Current Liabilities:				
(13,706)	Short-term Borrowing	15.26	(7,221)		
(10,688)	Short-term Creditors	15.12	(25,075)	(32,296)	
450,516	Total Assets less Current Liabilities			545,144	
	Long Term Liabilities:				
(531)	Capital Grants Receipts in Advance	15.13	(577)		
(1,648)	Provisions	15.14	(1,717)		
(62,671)	Liability Related to Defined Benefit Pension Scheme	15.23	(70,360)		
(100,206)	Long-term Borrowing		(99,247)		
(165,056)	Total Long-term Liabilities			(171,901)	
285,460	Total Net Assets			373,243	
	Financed by:				
(244,873)	Unusable Reserves	15.15	(327,105)		
(40,587)	Usable Reserves	15.16	(46,138)	(373,243)	
(285,460)	Total Reserves			(373,243)	

MOVEMENT IN RESERVES STATEMENT

Financial Year 2020/21	General Fund Balance	Earmarked Reserves (GF & HRA)	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(8,935)	(14,944)	(3,000)	(936)	(12,625)	(147)	(40,587)	(244,873)	(285,460)
(Surplus)/Deficit on Provision of Services	672		(23,207)				(22,535)		(22,535)
Other Comprehensive Expenditure or Income								(65,248)	(65,248)
Total Comprehensive Expenditure and Income	672		(23,207)				(22,535)	(65,248)	(87,783)
Adjustment between accounting basis and funding basis (Note 15.17)	(8,168)		23,482	781	881	8	16,984	(16,984)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(7,496)		275	781	881	8	(5,551)	(82,232)	(87,783)
Transfers to/(from) Earmarked Reserves (Note 15.16.3)	7,173	(6,898)	(275)				0		0
(Increase)/Decrease in year	(323)	(6,898)	0	781	881	8	(5,551)	(82,232)	(87,783)
Balance at 31 March 2021	(9,258)	(21,842)	(3,000)	(155)	(11,744)	(139)	(46,138)	(327,105)	(373,243)

Financial Year 2019/20	General Fund Balance	Earmarked Reserves (GF & HRA)	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Restated Balance at 31 March 2019	(8,493)	(17,323)	(3,000)	(2,055)	(12,698)	(330)	(43,899)	(246,425)	(290,324)
(Surplus)/Deficit on Provision of Services	5,893		(2,803)				3,090		3,090
Other Comprehensive Expenditure or Income								1,774	1,774
Total Comprehensive Expenditure and Income	5,893		(2,803)				3,090	1,774	4,864
Adjustment between accounting basis and funding basis (Note 15.17)	(7,003)		5,850	1,119	73	183	222	(222)	0
Net (increase)/decrease before transfers to Earmarked Reserves	(1,110)		3,047	1,119	73	183	3,312	1,552	4,864
Transfers to/(from) Earmarked Reserves (Note 15.16.3)	668	2,379	(3,047)				0		0
(Increase)/Decrease in year	(442)	2,379	0	1,119	73	183	3,312	1,552	4,864
Balance at 31 March 2020	(8,935)	(14,944)	(3,000)	(936)	(12,625)	(147)	(40,587)	(244,873)	(285,460)

CASH FLOW STATEMENT

2019/20	Cash Flow Statement	2020/21
£'000		£'000 £'000
3,090	a) Net (Surplus) or Deficit on the Provision of Services	(22,535)
	b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements	
(9,682)	Depreciation	(9,260)
(6,149)	Movement in valuations	17,642
(77)	Amortisation of non-current assets	(95)
0	Impairment reversals (including writing out depreciation)	0
(744)	Movement in impairment provision for bad debts	(528)
(1,274)	Movement in creditors	(14,269)
(1,415)	Movement in revenue debtors	18,564
11	Movement in inventories	(19)
(303)	Movement in provisions	(69)
(3,785)	Movement in pension liability	(2,763)
(1,899)	Carrying amount of non-current assets sold	(1,820)
(185)	Other non-cash items charged to the net surplus or deficit on the provision of services	(49)
(22,412)		(15,201)
	c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities	
4,467	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,635
17	Other Receipts for investing activities	116
(17,928)		2,751
	d) Net Cash Flows from Operating Activities	(12,450)
	e) Investing Activities	
18,439	Purchase of property, plant and equipment, investment property and intangible assets	15,797
25,000	Purchase of Short Term and Long Term Investments	16,471
17	Other Payments for investing activities	2,232
(4,467)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,635)
(26,518)	Proceeds from Short Term and Long Term Investments	(19,500)
(50)	Capital Grants received in year	(116)
(17)	Other Receipts for investing activities	0
12,404	Net cash flows from investing activities	12,249
	f) Financing Activities	
(519)	Cash Receipts of short and long term borrowing	(15,891)
995	Other receipts from financing activities	(7,805)
4,903	Repayments of short and long term borrowing	23,084
5,379	Net cash flows from financing activities	(612)
(145)	g) Net movements in year excluding non-cash items	(813)
4,393	h) Cash and cash equivalents at the beginning of the reporting period	4,538
145	i) Net increase or (decrease) in cash or cash equivalents	813
4,538	j) Cash and cash equivalents at the end of the reporting period	5,351

15. NOTES TO THE CORE FINANCIAL STATEMENTS

The notes that follow have been provided in support of the four core statements. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

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NOTES TO THE CORE FINANCIAL STATEMENTS

15.1. Expenditure and Funding Analysis

Financial Year 2020/21	Total reported out-turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	43	432	475	35	510
Communities	882	2,244	3,126	995	4,121
Corporate Services	1,886	1,918	3,804	218	4,022
Housing & Operations - HRA Services	275	(1,950)	(1,675)	(23,482)	(25,157)
Housing & Operations - Other Services	4,911	(2,616)	2,295	1,440	3,735
Planning & Development	1,725	(568)	1,157	144	1,301
Non-Directorate Specific	777	0	777	87	864
Net cost of services	10,499	(540)	9,959	(20,563)	(10,604)
Other income and expenditure - HRA Services	0	1,950	1,950	0	1,950
Other income and expenditure - Other Services	(17,720)	(1,409)	(19,129)	5,248	(13,881)
Other movements	0	(1)	(1)	0	0
(Surplus) or deficit	(7,221)	(0)	(7,221)	(15,315)	(22,535)
Opening General Fund and HRA Balance (Note 1)			(26,879)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(7,221)		
Closing General Fund and HRA Balance as at 31 March 2021			(34,100)		

15.1.1 Note 1 to the 2020/21 Expenditure and Funding Analysis

Analysis of Balances 2020/21	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2021
	£'000	£'000	£'000
General Fund	(8,935)	(323)	(9,258)
Earmarked Reserves	(14,944)	(6,898)	(21,842)
Housing Revenue Account	(3,000)	0	(3,000)
Total Balances	(26,879)	(7,221)	(34,100)

The Expenditure and Funding analysis is intended to explain the main adjustments from net expenditure chargeable to the General Fund and HRA to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Year 2019/20	Total reported out- turn in EFA format (Note 2)	Adjustments to arrive at the net amount chargeable to balances	Net Expenditure chargeable to the General Fund and HRA balances	Adjustments between Funding and Accounting Basis (Note 3)	Restated Net Expenditure in the Comprehensive Income and Expenditure
	£'000	£'000	£'000	£'000	£'000
Chief Executive	50	447	497	1	498
Communities	3,306	(537)	2,769	1,929	4,698
Corporate Services	7,676	(4,976)	2,700	820	3,520
Housing & Operations - HRA Services	3,047	(56)	2,991	(5,850)	(2,859)
Housing & Operations - Other Services	4,280	(2,928)	1,352	2,316	3,668
Planning & Development	1,454	(417)	1,037	32	1,069
Non-Directorate Specific	1,055	0	1,055	1,196	2,251
Net cost of services	20,868	(8,467)	12,401	444	12,845
Other income and expenditure - HRA Services	0	56	56	0	56
Other income and expenditure - Other Services	(18,931)	8,411	(10,520)	709	(9,811)
(Surplus) or deficit	1,937	0	1,937	1,153	3,090
Opening General Fund and HRA Balance (Note 1)			(28,816)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			1,937		
Closing General Fund and HRA Balance as at 31 March 2020			(26,879)		

15.1.1 Note 1 to the 2019/20 Expenditure and Funding Analysis

Analysis of Balances 2019/20	Opening Balance	(Surplus)/Deficit in Year	Closing Balance as at 31 March 2020
	£'000	£'000	£'000
General Fund	(8,493)	(442)	(8,935)
Earmarked Reserves	(17,323)	2,379	(14,944)
Housing Revenue Account	(3,000)	0	(3,000)
Total Balances	(28,816)	1,937	(26,879)

The expenditure and Funding analysis is intended to explain the main adjustments from net expenditure chargeable to the General Fund and HRA to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

15.1.2 Note 2 to the 2020/21 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2020/21	General Fund as reported at outturn	HRA as reported at outturn	Total out-turn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	14,717		14,717	(14,717)	0
Chief Executive	(446)		(446)	489	43
Communities	(3,928)		(3,928)	4,810	882
Corporate Services	(967)		(967)	2,853	1,886
Housing & Operations	208	275	483	4,703	5,186
Planning & Development	(137)		(137)	1,862	1,725
Non-Directorate Specific	777		777	0	777
Directorate total	10,224	275	10,499	0	10,499
Interest & Investment Income	(806)		(806)	806	0
Government Grant Funding	(5,843)		(5,843)	5,843	0
Transfers to/(from) Reserves	7,173	(275)	6,898	(6,898)	0
Transfers to/(from) Balances	603		603	(603)	0
Transactions below the line	1,102		1,102	(1,102)	0
Other income and expenditure	0		0	(9,949)	(9,949)
Budget Requirement	12,453	0	12,453	(11,903)	550
Business Rate Income	(4,014)		(4,014)	4,014	0
Council Tax Income	(7,188)		(7,188)	7,188	0
Parish Precepts	(368)		(368)	368	0
New Homes Bonus	(603)		(603)	603	0
Transfers to/(from) the Collection Fund	0		0	0	0
Transfer to Working Balances	270		270	(270)	0
Budget Shortfall / (Underspend)	550	0	550	0	550
Reconciliation to EFA					
Directorate total					10,499
Other income and expenditure in outturn				(9,949)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				(6,898)	
<i>Transfers to/(from) Balances</i>				(603)	
<i>Use of Working Balances</i>				(270)	
Other income and expenditure in EFA					(17,720)
(Surplus) or deficit in EFA					(7,221)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.1.2 Note 2 to the 2019/20 Expenditure and Funding Analysis

Reconciliation between out-turn and EFA 2019/20	General Fund as reported at outturn	HRA as reported at outturn	Total out-turn	Adjustments	Total reported out-turn in EFA format
	£'000	£'000	£'000	£'000	£'000
All Directorate - Salaries	13,486		13,486	(13,486)	0
Chief Executive	(120)		(120)	170	50
Communities	(1,005)		(1,005)	4,311	3,306
Corporate Services	4,983		4,983	2,693	7,676
Housing & Operations	(396)	3,047	2,651	4,676	7,327
Planning & Development	(182)		(182)	1,636	1,454
Non-Directorate Specific	1,055		1,055	0	1,055
Directorate total	17,821	3,047	20,868	0	20,868
Interest & Investment Income	(620)		(620)	620	0
Government Grant Funding	(1,288)		(1,288)	1,288	0
Transfers to/(from) Reserves	669	(3,047)	(2,378)	2,378	0
Transfers to/(from) Balances	611		611	(611)	0
Transactions below the line	(6,077)		(6,077)	6,077	0
Other income and expenditure	0		0	(21,441)	(21,441)
Budget Requirement	11,116	0	11,116	(11,689)	(573)
Business Rate Income	(3,300)		(3,300)	3,300	0
Council Tax Income	(6,892)		(6,892)	6,892	0
Parish Precepts	(340)		(340)	340	0
New Homes Bonus	(611)		(611)	611	0
Transfers to/(from) the Collection Fund	197		197	(197)	0
Use of Working Balances	(743)		(743)	743	0
Budget Shortfall / (Underspend)	(573)	0	(573)	0	(573)
Reconciliation to EFA					
Directorate total					20,868
Other income and expenditure in outturn				(21,441)	
Less movements in reserves items:					
<i>Transfers to/(from) Reserves (adjusted within outturn presentation)</i>				2,378	
<i>Transfers to/(from) Balances</i>				(611)	
<i>Use of Working Balances</i>				743	
Other income and expenditure in EFA					(18,931)
(Surplus) or deficit in EFA					1,937

NOTES TO THE CORE FINANCIAL STATEMENTS

15.1.3 Note 3 to the Expenditure and Funding Analysis

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2020/21	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive	2	33	0	35
Communities	708	287	0	995
Corporate Services	30	188	0	218
Housing & Operations - HRA Services	(17,261)	630	(6,851)	(23,482)
Housing & Operations - Other Services	1,115	325	0	1,440
Planning & Development	32	112	0	144
Non-Directorate Specific	0	87	0	87
Net cost of services	(15,374)	1,662	(6,851)	(20,563)
Other income and expenditure from the funding analysis	49	1,101	4,098	5,248
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(15,325)	2,763	(2,753)	(15,315)

Adjustments from General Fund and HRA balances to arrive at the Comprehensive Income and Expenditure Statement 2019/20	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Chief Executive	0	1	0	1
Communities	1,631	298	0	1,929
Corporate Services	81	619	120	820
Housing & Operations - HRA Services	468	609	(6,927)	(5,850)
Housing & Operations - Other Services	2,444	0	(128)	2,316
Planning & Development	32	0	0	32
Non-Directorate Specific	0	1,196	0	1,196
Net cost of services	4,656	2,723	(6,935)	444
Other income and expenditure from the funding analysis	(2,469)	1,062	2,116	709
Difference between General Fund & HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	2,187	3,785	(4,819)	1,153

15.1.4 Note 4 to the Expenditure and Funding analysis

2019/20	Summary of revenue recognised from contracts with service recipients within Expenditure & Funding Analysis	2020/21
Income		Income
£'000		£'000
0	Chief Executive	0
(7,513)	Communities	(5,820)
(170)	Corporate Services	(879)
(27,946)	Housing & Operations - HRA Services	(28,634)
(3,527)	Housing & Operations - Other Services	(2,715)
(548)	Planning & Development	(662)
0	Non-Directorate Specific	0
(39,704)	Revenue recognised within EFA	(38,710)
0	Other income - HRA Services	0
0	Other income - Other Services	0
0	Other income recognised within EFA	0
(39,704)	Total revenue recognised from contracts with service recipients within EFA	(38,710)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.2. Other Operating Expenditure/Income

2019/20		2020/21		
Net Expenditure	Other Operating Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
340	Parish Precepts	368	0	368
43	Levies	44	0	44
523	Payments to the Housing Capital Receipts Pool	522	0	522
(2,568)	(Gains)/Losses on the disposal of non-current assets	(795)	0	(795)
(17)	Other capital receipts	0	(70)	(70)
(1,679)	Total	139	(70)	69

15.3. Financing and Investment Income and Expenditure

2019/20		2020/21		
Net Expenditure	Financing and Investment Income and Expenditure	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
4,371	Interest Payable and Receivable	4,038	(119)	3,919
(793)	Other Investment Income	0	(718)	(718)
1,390	Pensions Interest cost and return on pension assets	1,430	0	1,430
(226)	Trading Operations (see below)	589	(753)	(164)
(2,634)	Investment Properties (inc fair value changes)	1,424	(2,112)	(688)
1,849	Financial Instruments	(1,182)	0	(1,182)
3,957	Total	6,299	(3,702)	2,597

The following (surpluses)/deficits have been realised in relation to Trading Operations carried out during 2020/21:

2019/20		2020/21		
Net Expenditure	Trading Operations	Expenditure	Income	Net Expenditure
£'000		£'000	£'000	£'000
(139)	Industrial Estates	66	(225)	(159)
11	Spotlites Café	163	(10)	153
(98)	Trade Refuse Services	360	(518)	(158)
(226)	Total	589	(753)	(164)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.4. Taxation and Non-Specific Grant Income

The Borough's funding requirements, including those of the parish councils, are met by a demand on the Collection Fund. These are shown as an expenditure item in the Comprehensive Income and Expenditure Statement of the Collection Fund.

2019/20	Taxation and Non-specific Grant Income	2020/21
£'000		£'000
(7,220)	Council Tax Income	(7,425)
(2,851)	Business Rates Income	1,564
(1,899)	Non-Ringfenced Government Grants	(8,666)
(63)	Capital Grants & Contributions	(70)
(12,033)	Total	(14,597)

15.5. Expenditure and Income analysed by nature

2019/20	Expenditure and Income Analysed by Nature	General Fund Net Expenditure	2020/21 HRA Net Expenditure	Total Net Expenditure
£'000		£'000	£'000	£'000
	Expenditure			
22,056	Employee expenses	16,732	4,792	21,524
46,453	Other service expenses	38,053	7,613	45,666
523	Payments to Housing Capital Receipts Pool	522	0	522
15,902	Depreciation, amortisation, impairment & revaluations	2,954	(11,265)	(8,311)
(2,568)	(Gains)/losses on disposal of non-current assets	(178)	(617)	(795)
6,099	Interest payments	2,849	2,619	5,468
383	Precepts & levies	412	0	412
0	Net Support service recharges	(2,676)	2,676	0
88,848	Total Expenditure	58,668	5,818	64,486
	Income			
(44,053)	Fees and charges and other service income	(13,297)	(28,994)	(42,291)
(10,071)	Income from Council Tax and Business Rates	(5,861)	0	(5,861)
(30,503)	Government grants and contributions	(38,032)	0	(38,032)
(1,131)	Interest and investment income	(806)	(31)	(837)
(85,758)	Total Income	(57,996)	(29,025)	(87,021)
3,090	(Surplus)/Deficit on the Provision of Services	672	(23,207)	(22,535)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.5.1 Government Grants and Contributions

2019/20		2020/21		
Total	Government Grants and Contributions (significant items from Expenditure & Income by Nature)	General Fund	HRA	Total
£'000		£'000	£'000	£'000
(651)	Disabled Facilities Grant	(638)	0	(638)
(221)	Discretionary Housing Payment Grant	(301)	0	(301)
(285)	Housing Benefit Administration Grant	(280)	0	(280)
(25,911)	Housing Benefit Subsidy	(23,170)	0	(23,170)
0	MHCLG - Covid-19 Additional Restrictions Grant	(1,169)	0	(1,169)
0	MHCLG - Covid-19 LA Support Grant	(1,787)	0	(1,787)
0	MHCLG - Covid-19 SBR Grants	(674)	0	(674)
0	MHCLG - Sales Fees & Charges Compensation	(1,009)	0	(1,009)
0	New Burdens - Covid-19 Business Support Grants	(379)	0	(379)
(611)	New Homes Bonus Grant	(603)	0	(603)
(817)	NNDR - Retail Relief	(877)	0	(877)
(236)	NNDR - Small Business Rate Relief	(4,656)	0	(4,656)
(86)	Rough Sleeping Initiative	(290)	0	(290)
(1,685)	Other Grants and Contributions under £200k	(2,199)	0	(2,199)
(30,503)	Total - Significant Items	(38,032)	0	(38,032)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.6. Property Plant and Equipment

Property, plant & equipment								
	Operational Assets					Non-Op Assets		
Financial Year 2020/21	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation As at 1 April 2020	320,814	47,899	8,960	2,218	2,878	4,321	246	387,336
Additions	5,624	2,048	760	0	0	7,385	0	15,817
Revaluation increases/(decreases) recognised in Revaluation Reserve	61,206	(2,599)	0	0	0	0	0	58,607
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	21,699	(357)	0	0	0	0	0	21,342
Derecognition - disposals	(1,908)	(2,019)	0	0	0	0	0	(3,927)
Assets reclassified	1,656	(29)	29	0	0	(1,656)	0	0
Other movements in cost or valuation	(1)	(530)	(1)	0	0	0	0	(532)
As at 31 March 2021	409,090	44,413	9,748	2,218	2,878	10,050	246	478,643
Accumulated Depreciation and Impairments As at 1 April 2020	(1)	(1,711)	(5,290)	(1,014)	(1)	0	0	(8,017)
Depreciation Charge for year	(6,728)	(1,748)	(637)	(147)	0	0	0	(9,260)
Accumulated depreciation written out to the Revaluation Reserve	10,249	1,344	0	0	0	0	0	11,593
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	(3,560)	8	0	0	0	0	0	(3,552)
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written back on disposal	40	47	0	0	0	0	0	87
Reclassifications	0	16	(16)	0	0	0	0	0
Other movements in depreciation and impairment		530	0	0	0	0	0	530
As at 31 March 2021	0	(1,514)	(5,943)	(1,161)	(1)	0	0	(8,619)
Net Book Value								
At 31 March 2021	409,090	42,899	3,805	1,057	2,877	10,050	246	470,024
At 1 April 2020	320,813	46,188	3,670	1,204	2,877	4,321	246	379,319

Revaluations of the Council's assets are carried out on a five yearly cycle as per paragraph 14.7 of the Accounting Policies. For 2020/21, valuations were carried out internally by the Council's Principal Estates Surveyor, Eben Graham, BSc (Hons) MRICS, and the Council's Service Manager (Property and Regulatory Services), Elizabeth Thornton, BSc (Hons) MRICS, based on a valuation date of 31 March 2021.

Wilks Head & Eve, Chartered Surveyors and Town Planners carried out a valuation of Council Dwellings at 31 March 2021.

The methods and significant assumptions applied are in accordance with UK Valuation Standards which require that valuations shall be in accordance with the CIPFA Code. Essentially, current value is interpreted as the amount that would be paid for the asset in its existing use.

NOTES TO THE CORE FINANCIAL STATEMENTS

Property, plant & equipment								
Financial Year 2019/20	Operational Assets					Non-Op Assets		Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2019	320,205	50,105	8,849	2,218	2,878	2,694	597	387,546
Additions	12,410	2,425	742	0	0	2,768	0	18,345
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	(3,957)	0	0	0	0	(350)	(4,307)
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(11,014)	(675)	0	0	0	0	0	(11,689)
Derecognition - disposals	(1,929)	0	(630)	0	0	0	0	(2,559)
Assets reclassified	1,142	0	0	0	0	(1,142)	0	0
Other movements in cost or valuation	0	1	(1)	0	0	1	(1)	0
As at 31 March 2020	320,814	47,899	8,960	2,218	2,878	4,321	246	387,336
Accumulated Depreciation and Impairments								
As at 1 April 2019	0	(1,371)	(5,187)	(868)	(1)	0	(1)	(7,428)
Depreciation Charge for year	(6,715)	(2,096)	(724)	(146)	0	0	0	(9,681)
Accumulated depreciation written out to the Revaluation Reserve	0	1,757	0	0	0	0	0	1,757
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	6,675	0	0	0	0	0	0	6,675
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written back on disposal	39	0	621	0	0	0	0	660
Other movements in depreciation and impairment	0	(1)	0	0	0	0	1	0
As at 31 March 2020	1	(1,711)	(5,290)	(1,014)	(1)	0	0	(8,017)
Net Book Value								
At 31 March 2020	320,813	46,188	3,670	1,204	2,877	4,321	246	379,319
At 1 April 2019	320,205	48,734	3,662	1,350	2,877	2,694	596	380,118

Further details of the gross book value of Property Plant & Equipment assets and the year of valuations are detailed in the next table.

NOTES TO THE CORE FINANCIAL STATEMENTS

Property, plant & equipment								
Financial Year 2020/21	Operational Assets					Non-Op Assets		Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Other Land & Buildings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost	0	0	9,748	2,218	2,878	10,050	196	25,090
Valued at Current Value in year:								
2020/21	409,090	33,433	0	0	0	0	0	442,523
2019/20	0	6,529	0	0	0	0	0	6,529
2018/19	0	1,018	0	0	0	0	50	1,068
2017/18	0	1,830	0	0	0	0	0	1,830
2016/17	0	1,603	0	0	0	0	0	1,603
Total Cost or Valuation	409,090	44,413	9,748	2,218	2,878	10,050	246	478,643

The impact that COVID-19 has had on valuations has been discussed with the Council's valuers and their response is set out below:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will be keeping the valuation of these properties under frequent review.

It is our considered judgement that our valuations are evidence driven and we do not intend to make any unevidenced adjustments to our valuations. The situation is very fast moving and therefore it is sensible to keep the position under review and to revisit the valuations as and when updated market evidence begins to emerge".

15.7. Depreciation and Impairment

Service revenue accounts are charged with depreciation during the year to properly reflect the cost of utilising assets in the provision of council services. For 2020/21 the total depreciation charges were £9.26m (£9.68m, 2019/20), including £6.73m within the HRA. A reversing entry ensures that the overall revenue effect is neutral and that no cost falls to the local taxpayer.

The HRA depreciation and impairment is disclosed in note 16.3 of the notes to the HRA.

15.8. Heritage Assets

Heritage Assets where the Council holds information on an asset's cost or value are detailed in the table below. Where the Council does not hold information on cost or value, and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts, assets are not included in the Balance Sheet but disclosed in this note. These include the Fort Gardens Tunnels and various war memorials in the borough.

NOTES TO THE CORE FINANCIAL STATEMENTS

31st March 2020	Heritage Assets	31st March 2021
£'000		£'000
227	Fort Gardens - Bandstand	227
2,039	Clock Tower	2,039
85	Puji Memorial	85
23	Mayoral Chains	23
182	Civic regalia	182
96	Museum exhibits	96
791	Woodlands Park Bunker	791
210	Queen Elizabeth II Statue	210
0	Other Miscellaneous Properties	13
<u>3,653</u>	Total	<u>3,666</u>

15.9. Investment Properties

Items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There are no restrictions on the Authority's ability to realise the value inherent in its Investment Property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancement. Valuations were assessed by the Council's Principal Estates Surveyor, Eben Graham, BSc (Hons) MRICS, on behalf of the Council's Service Manager (Property and Regulatory Services).

31st March 2020	Investment Properties	31st March 2021
£'000		£'000
710	Revaluation	(1,330)
<u>710</u>	Total increase/(decrease) in	<u>(1,330)</u>
38,690	Balance brought forward at 1 April	39,400
710	Movement in year	(1,330)
<u>39,400</u>	Balance carried forward at 31 March	<u>38,070</u>

The impact that COVID-19 has had on valuations has been discussed with our valuers and their response can be found in note 15.6. This material uncertainty applies to Investment Property valuations the same way as it applies to Property, Plant and Equipment valuations.

15.10. Debtors

Short-term debtors are shown below under the specific categories defined within the code of practice guidance.

31st March 2020	Short term Debtors	Movement	31st March 2021
£'000		£'000	£'000
644	Central government bodies	4,446	5,090
1,688	Other local authorities	2,693	4,382
14,454	Other entities and individuals	3,369	17,822
<u>16,786</u>	Total		<u>27,294</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

15.11. Cash and Cash Equivalents

The net balance of Cash and Cash Equivalents at the Balance Sheet date is made up of the following elements.

31st March 2020	Cash and Cash Equivalents	Movement	31st March 2021
£'000		£'000	£'000
11	Cash in Hand/(Overdrawn)	91	102
4,527	Short Term Deposits	722	5,249
4,538	Total Cash & Cash Equivalents	813	5,351
4,393	Balance brought forward at 1 April		4,538
145	Movement in year		813
4,538	Balance carried forward at 31 March		5,351

The net movement between 2019/20 and 2020/21 is due to increased funds being held in highly liquid Money Market Funds. The Cash in Hand Figure of £102k, as at 31 March 2021, includes £2k held in a separate bank account specifically for the use of the Heritage Quarter Capital project.

15.12. Creditors

Creditors are shown in the next table under the specific categories defined within the code of practice guidance.

31st March 2020	Short term Creditors	31st March 2021
£'000		£'000
(1,776)	Central government bodies	(7,649)
(1,035)	Other local authorities	(124)
(7,877)	Other entities and individuals	(17,302)
(10,688)	Total	(25,075)

15.13. Capital Grants and Contributions Received in Advance

Capital Grants and Contributions received in advance	Balance at 31st March 2020	Receipts	Recognised as Income	Balance at 31st March 2021
	£'000	£'000	£'000	£'000
S106 Land at Dover Road	(50)	0	0	(50)
S106 Springhead Leisure Contribution	(150)	0	0	(150)
S106 Capital Contribution Whitehill Road Open Space	(52)	0	0	(52)
S106 Bluewater Gravesend Town Centre Improvement	(259)	0	70	(189)
S106 Coldharbour Road	0	(92)	0	(92)
Other Small Grants and Contributions	(20)	(24)	0	(44)
Total Capital Grants and Contributions received in advance	(531)	(116)	70	(577)

15.14. Provisions

31st March 2020	Provisions	Movement	31st March 2021
£'000		£'000	£'000
(127)	Municipal Mutual Insurance Company	0	(127)
(1,521)	Business Rates Appeals	(69)	(1,590)
(1,648)	Total held	(69)	(1,717)

15.15. Unusable Reserves

Unusable reserves are unrealised gains and losses on assets, and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Below is a summary of those reserves.

31st March 2020	Unusable Reserves	31st March 2021
£'000		£'000
(46,340)	Revaluation Reserve (note 15.15.1)	(113,197)
(263,398)	Capital Adjustment Account (note 15.16.2)	(290,572)
50	Financial Instruments Adjustment Account (note 15.16.3)	39
359	Accumulated Absences Account (note 15.16.4)	379
(40)	Deferred Capital Receipts Reserve	(33)
62,671	Pensions Reserve (Note 15.23)	70,360
64	Collection Fund Adjustment Account (note 18.5)	5,340
1,761	Pooled Investment Funds Adjustment Account	579
(244,873)	Total Unusable Reserves	(327,105)

15.15.1. Revaluation Reserve Account

The Revaluation Reserve Account summarises the net gains or losses arising from asset revaluations during the year. The balance is reduced when assets with previously accumulated gains are:

- Revalued downwards or impaired and the previous gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed of and the gains are realised in the Comprehensive Income and Expenditure Statement, with the Revaluation Reserve values being written off as part of the disposal.

The closing balance on the Revaluation Reserve Account represents the net gain realised on non-current assets from 1 April 2007 onwards.

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20	Revaluation Reserve	2020/21
£'000		£'000
(34,559)	Balance at 1 April	(46,340)
(5,899)	Upward revaluation of assets	(74,393)
8,350	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,220
2,451	Surplus or Deficit on the revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(70,173)
1,608	Difference between fair value depreciation and historic cost depreciation	1,701
(15,852)	Historic HRA valuation adjustment	
12	Accumulated gains on assets sold or scrapped	1,615
(14,232)	Amount written off to the Capital Adjustment Account	3,316
(46,340)	Balance at 31 March	(113,197)

15.15.2. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve Account to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve Account was created to hold such gains.

2019/20	Capital Adjustment Account	2020/21
£'000		£'000
Sources of Finance		
(4,042)	Capital Receipts	(3,070)
(63)	Government grants and contributions (received in year)	(70)
(177)	Government grants and contributions (brought forward)	(8)
(8,031)	Major Repairs Reserve	(7,637)
(12,313)		(10,785)
Sums set aside from revenue		
(5,007)	Direct revenue contributions	(2,660)
(5,441)	Minimum revenue provision (MRP)	(6,005)
(10,448)	Increase or decrease during year	(8,665)
Removal of items not chargeable to Fund Balances		
9,681	Depreciation charged in the year	9,260
77	Amortisation charged in the year	95
5,086	Revaluation losses - PPE	2,606
(5)	Reversal of impairment losses - HRA	(20,421)
(76)	Reversal of impairment losses - GF	0
(710)	Revaluation (gains)/losses - Investment properties	1,330
1,899	Disposals in the year	3,860
0	Rosherville Investment	(2,020)
701	Revenue expenditure met from capital under statute	882
16,653	Increase or decrease during year	(4,408)
(6,108)	Total accounting adjustments between funding basis under statute	(23,858)
Write Down of Revaluation Reserve		
(11)	Accumulated Gains on disposed assets	(1,615)
(1,609)	Revaluation Reserve depreciation	(1,701)
15,852	Historic HRA valuation adjustment	0
14,232		(3,316)
8,124	Increase or decrease during year	(27,174)
(271,522)	Balance brought forward at 1 April	(263,398)
8,124	Movement in year	(27,174)
(263,398)	Balance carried forward at 31 March	(290,572)

15.15.3. Financial Instruments Adjustment Account

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices on borrowings and investments. This account represents the differences between costs in relation to financial instruments calculated in accordance with the Code where charges are different to those as calculated in accordance with statutory requirements.

2019/20	Financial Instruments Adjustment Account	2020/21
£'000		£'000
(17)	Private Sector renovation loans	(11)
(17)	Total increase/(decrease) in Financial Instruments	(11)
67	Balance brought forward at 1 April	50
(17)	Movement in year	(11)
50	Balance carried forward at 31 March	39

15.15.4. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2019/20	Accumulated Absences Account	2020/21
£'000		£'000
(362)	Reversal of accrual from preceding year	359
359	Amount accrued at the end of the current year	(339)
(3)	Total increase/(decrease) in Accumulated Absences Account	20
362	Balance brought forward at 1 April	359
(3)	Movement in year	20
359	Balance carried forward at 31 March	379

15.16. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet that are either held for statutory reasons, to comply with proper accounting practice or to voluntarily earmark monies to fund future spending plans.

31st March 2020	Usable Reserves	31st March 2021
£'000		£'000
(12,625)	Capital Receipts Reserve	(11,744)
(13,079)	Earmarked Reserves	(19,348)
(1,865)	Revenue Grants not yet applied	(2,494)
(147)	Capital Grants & Contributions Unapplied	(139)
(936)	Major Repairs Reserve	(155)
(8,935)	General Fund Balance	(9,258)
(3,000)	Housing Revenue Account Balance	(3,000)
(40,587)	Total Usable Reserves	(46,138)

15.16.1. Capital Receipts Reserve

2019/20	Capital Receipts Reserve	2020/21
£'000		£'000
(4,467)	Cash proceeds from the disposal of non-current assets	(2,635)
(17)	Other capital receipts	(70)
(7)	Transfer from Deferred Capital Receipts	(7)
522	Payment to Housing Capital Receipts Pool (Note 17.7)	523
4,042	Applied in Capital Financing	3,070
73	Total (increase)/decrease	881
(12,698)	Balance brought forward at 1 April	(12,625)
73	Movement in year	881
(12,625)	Balance carried forward at 31 March	(11,744)

Usable capital receipts are receipts from the disposal of assets that have not yet been used to finance expenditure or repay debt. As indicated in Note 16.7 to the Housing Revenue Account, a proportion of specified housing related capital receipts is payable into a government pool for redistribution. The code requires any amount paid to the pool to be disclosed as expenditure in the Comprehensive Income and Expenditure Statement even though the capital receipts themselves have not been recognised as income within the Comprehensive Income and Expenditure Statement. The deficit is made good by an equivalent appropriation from Usable Capital Receipts.

15.16.2. Capital Grants and Contributions Unapplied

Capital Grants & Contributions Unapplied	Balance at 31st March 2020	Transfer to General Fund Balance	Applied in capital financing	Balance at 31st March 2021
	£'000	£'000	£'000	£'000
CLG - Transport Quarter Stage 3	(3)	0	3	0
CLG - Localised Council Tax Support	(89)	0	5	(84)
Land at South of Hever Court Road	(55)	0	0	(55)
Total (increase)/decrease	(147)	0	8	(139)
Balance brought forward at 1 April	(330)			(147)
Movement in year	183			8
Balance carried forward at 31 March	(147)			(139)

NOTES TO THE CORE FINANCIAL STATEMENTS

15.16.3. Earmarked Reserves

Expenditure funded from an earmarked reserve is charged direct to revenue, and not to the reserve, with the equivalent funding being shown as Contributions from Reserves. The following statement shows the expenditure and income in respect of Earmarked Reserves for the year:

31st March 2020	Earmarked Reserves	Transfer from balances	Applied in revenue financing	Transfer between reserves	31st March 2021
£'000		£'000	£'000	£'000	£'000
(369)	Planning Policy Reserve	(130)	34	0	(465)
(1,320)	Asset Enhancement Reserve	(500)	657	0	(1,163)
(160)	Spend to Save Reserve	(2)	162	0	0
(1,649)	Leisure Centres Reserve	(358)	350	0	(1,657)
(250)	Corporate Priorities Reserve	(300)	15	0	(535)
(111)	Town Pier Pontoon Reserve	(12)	0	0	(123)
(25)	Local Authority Mortgage Scheme Reserve	0	25	0	0
(74)	Elections Reserve	0	0	0	(74)
(500)	Business Rates Collection Fund Reserve	(4,575)	0	0	(5,075)
(340)	IT Infrastructure Reserve	(225)	194	0	(371)
(102)	DSO Vehicle Capital Reserve	(439)	67	0	(474)
(1,002)	Waste Freighter Replacement Reserve	(221)	0	0	(1,223)
(588)	NNDR Growth Fund Reserve	(200)	413	0	(375)
(150)	Lower Thames Crossing Reserve	0	10	0	(140)
(227)	Woodville Repairs Reserve	(58)	45	0	(240)
(500)	Investment Interest Equalisation Reserve	0	0	0	(500)
(700)	Housing & Commercial Growth Fund	0	0	0	(700)
(948)	St George's Income Protection Reserve	(1)	(291)	0	(1,240)
(483)	Commercial Income Protection Reserve	(664)	0	0	(1,147)
(241)	Service Review Reserve	0	158	0	(83)
(117)	Playgrounds Reserve	(19)	0	0	(136)
(185)	Decriminalisation Reserve	(100)	57	0	(228)
0	Enterprise Zone Reserve	(500)	349	0	(151)
0	Climate Change Reserve	(500)	15	0	(485)
(10,041)	Sub-total - Specific GF Earmarked Reserves	(8,804)	2,260	0	(16,585)
(3,038)	HRA General Reserve	0	275	0	(2,763)
(13,079)	Total Specific Earmarked Reserves	(8,804)	2,535	0	(19,348)
(1,865)	Revenue Grants not yet applied	(1,000)	371	0	(2,494)
(14,944)	Total All Earmarked Reserves	(9,804)	2,906	0	(21,842)
(17,323)	Balance brought forward at 1 April				(14,944)
2,379	Movement in year				(6,898)
(14,944)	Balance carried forward at 31 March				(21,842)

These reserves have been established for the following purposes:-

Planning Policy Reserve – To meet the financial liabilities arising from the development and maintenance of the Gravesham Local Development Scheme.

Asset Enhancement Reserve – To assist in meeting obligations arising from the maintenance or development of the council's assets over the forthcoming financial years.

NOTES TO THE CORE FINANCIAL STATEMENTS

Spend to Save Reserve – To assist in delivering savings over the forthcoming medium term financial plan period.

Leisure Centres Reserve – To contribute to major infrastructure liabilities that may accrue in relation to Leisure Centres.

Corporate Priorities Reserve - To deliver specific items in line with the Council's Corporate Plan.

Town Pier Pontoon Reserve – To assist with the ongoing maintenance costs in respect of the town pier pontoon.

Local Authority Mortgage Scheme (LAMS) Reserve – To meet potential liabilities from default on mortgages provided through LAMS.

Elections Reserve – To assist in meeting the costs associated with the borough election cycle.

Business Rates Collection Fund Equalisation Reserve – To smooth the timing differences bought about by the accounting arrangements for business rates. In addition to the regular amount of £500k held for this purpose, during 2020/21 a further £4,575k has been transferred into this reserve, representing additional Business Rates Section 31 grants received by the Council to compensate for the loss of Business Rates income as a result of the extended retail relief given to retail, hospitality and leisure businesses, and nursery providers to support them through the COVID-19 pandemic. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income in-year will not be charged to the Council's General Fund until 2021/22. Resultantly, the £4,575k transferred to the Business Rates Collection Fund Equalisation Reserve will be drawn down to offset the deficit in 2021/22 and is therefore not an available resource for other purposes.

IT Infrastructure Reserve – To enable the Council to better plan for investment in improving and developing its IT infrastructure and use of digital technology.

DSO Fleet Vehicle Replacement Reserve – To hold annual contributions towards the replacement of DSO vehicles and proceeds from the disposal of redundant vehicles.

Waste Freighter Replacement Reserve – To hold annual contributions to the replacement of waste collection freighters and proceeds from the disposal of redundant vehicles.

NNDR Growth Fund Reserve – To hold growth fund monies for Gravesham generated from retained business rate growth as a result of the Council being part of the Kent Business Rates Pool.

Lower Thames Crossing Reserve – To provide for any costs incurred by the Authority in relation to assessing/seeking mitigation of any potential environmental or other impacts on the borough and its residents of the Secretary of State's preferred route for a new Lower Thames Crossing.

Woodville Repairs Reserve – To assist with the on-going maintenance costs in respect of The Woodville.

Investment Interest Equalisation Reserve – To meet any obligations arising from the implementation of IFRS9 or shortfalls in budgeted investment income returns.

Housing and Commercial Growth Fund Reserve – To hold monies generated from the 2018/19 Kent & Medway Business Rates Pilot to be directed towards driving future growth in Gravesham.

St George's Shopping Centre Income Protection Reserve – To negate any impact on the General Fund revenue budget from lost rental income, void periods and non-recoverable service charges, particularly during the early phase of the projects' construction and re-enlivening works.

Commercial Income Protection Reserve – To meet any maintenance and upkeep requirements of assets purchased under the Council's Commercial Property Acquisition Strategy or to smooth the impact on the General Fund revenue budget of any unplanned void periods.

Service Review Reserve – To provide funding for one-off costs associated with the Service Review work strand of the Medium-Term Financial Strategy.

Playgrounds Reserve – To provide for replacement play equipment within the borough.

Decriminalisation Reserve – To provide replacement equipment and uniforms as and when required.

Enterprise Zone Reserve – To hold the increased Business Rates derived from the North Kent Enterprise Zones, so that this may be directed to infrastructure and services to support enterprise and growth within Gravesham.

Climate Change Reserve – To recognise the financial commitment made by the Council in declaring a climate emergency and undertaking to do what is within its powers and resources to make Gravesham Borough Council carbon neutral by 2030.

HRA General Reserve – To meet future Housing Revenue Account priorities or mitigate against future funding obligations.

Revenue Grants not yet applied – To hold various revenue grants received until such time as they are applied to General Fund revenue expenditure in future years.

NOTES TO THE CORE FINANCIAL STATEMENTS

15.17. Adjustments Between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under regulations - 2020/21	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(2,369)	(6,891)				9,260
Charges for impairment of non-current assets	0	0				0
Revaluation gains/losses on Property, plant and equipment	(358)	18,173				(17,815)
Movement in the fair value of Investment Properties	(1,330)					1,330
Amortisation of intangible assets	(79)	(16)				95
Capital Grants & Contributions applied	70	0				(70)
Revenue expenditure funded from capital under statute (REFCUS)	(729)	(153)				882
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	81	(1,921)				1,840
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment (MRP)	587	5,418				(6,005)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	2,567	92				(2,659)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0				0	0
Application of grants to capital financing transferred to the Capital Adjustment Account					8	(8)
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	97	2,538		(2,635)		0
Other Capital Receipts	49	21		(70)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				3,070		(3,070)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		0		0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(523)			523		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(7)		7
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		6,857	(6,857)			0
Use of the Major Repair Reserve to finance new capital expenditure			7,637			(7,637)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11					(11)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,023)	(1,513)				6,536
Employer's pensions contributions and direct payments to pensioners payable in the year	2,890	883				(3,773)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements	(88)					88
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	(5,188)					5,188
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	(6)				20
<i>Adjustment primarily involving the Pooled Investment Funds Adjustment Account</i>						
Reversal of Pooled Investment Movements	1,182					(1,182)
(Increase)/Decrease in year	(8,167)	23,482	780	881	8	(16,984)

NOTES TO THE CORE FINANCIAL STATEMENTS

Adjustments between Accounting Basis and Funding Basis under regulations - 2019/20	General Fund Balance	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Adjustments primarily involving the Capital Adjustment Account</i>						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(2,763)	(6,919)				9,682
Charges for impairment of non-current assets	76	5				(81)
Revaluation gains/losses on Property, plant and equipment	(747)	(4,337)				5,084
Movement in the fair value of Investment Properties	710					(710)
Amortisation of intangible assets	(60)	(17)				77
Capital Grants & Contributions applied	62	0				(62)
Revenue expenditure funded from capital under statute (REFCUS)	(701)					701
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10)	(1,889)				1,899
Amounts of non-current assets de-recognised within the Comprehensive Income and Expenditure Statement						0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment (MRP)	703	4,738				(5,441)
Capital expenditure charged against the General Fund and HRA balances (Direct Revenue Financing)	1,523	3,484				(5,007)
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>						
Capital Grants & Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(7)				7	0
Application of grants to capital financing transferred to the Capital Adjustment Account					176	(176)
<i>Adjustments primarily involving the Capital Receipts Reserve</i>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	4,467		(4,467)		0
Other Capital Receipts	17	0		(17)		0
Use of the Capital Receipts Reserve to finance new capital expenditure				4,042		(4,042)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		0		0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Governments capital receipts pool	(522)			522		0
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>						
Transfer from Deferred Capital Receipts Reserve upon the receipt of cash				(7)		7
<i>Adjustments primarily involving the Major Repair Reserve</i>						
Reversal of Major Repairs Allowance credited to the HRA		6,913	(6,913)			0
Use of the Major Repair Reserve to finance new capital expenditure			8,032			(8,032)
<i>Adjustments primarily involving the Financial Instruments Adjustment Account</i>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	17					(17)
<i>Adjustments primarily involving the Pensions Reserve</i>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,936)	(1,466)				7,402
Employer's pensions contributions and direct payments to pensioners payable in the year	2,760	857				(3,617)
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements	19					(19)
Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	(284)					284
<i>Adjustment primarily involving the Accumulated Absences Account</i>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(11)	14				(3)
<i>Adjustment primarily involving the Pooled Investment Funds Adjustment Account</i>						
Reversal of Pooled Investment Movements	(1,849)					1,849
(Increase)/Decrease in year	(7,003)	5,850	1,119	73	183	(222)

15.18. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Such disclosures enable readers of the accounts to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to operate freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are separately identified within the Note on Taxation and Specific Grant Income.

Elected Members and Officers

Elected Members and Senior Officers of the Council have direct control and influence over the Council's financial and operating policies. The key sources used to identify material related party transactions for Senior Officers and Members are Registers of Interests and disclosures of pecuniary interests at Council meetings. Details of these declarations can be viewed for each councillor at:

[Find your councillor – Gravesham Borough Council](#)

This information is supplemented by the Council requiring Members and Senior Officers to annually declare whether they, close family or anyone in the same household have been involved in any material transactions with the Council. Returns were received from all currently serving Members and Senior Officers for the 2020/21 financial year and the following relationships were considered to be material.

Officer/ Member	Nature of Related Party Transaction	Value of Transactions
Cllr. Lauren Sullivan	Council Representative on board of Citizens Advice Bureau (CAB)	
	Payment by the Council to CAB	£93,490
	Use of Premises at Civic Centre	£11,000

Other Public Bodies & Partnership Working

The Chief Legal Officer and Monitoring Officer of Medway Council has been designated as the Monitoring Officer for Gravesham Borough Council. The fee for these services in 2020/21 paid to Medway Council was £10,000.

The Council works with a number of partner organisations. Details of these arrangements are published in the Corporate Register of Partnerships which can be viewed at:

<http://www.gravesham.gov.uk/partnership-register>

Interest in Companies - Rosherville Limited

On 17 December 2019, the Council established a wholly-owned Local Authority Trading Company (LATCo) Holding Company. The LATCo has been registered with Companies House under the name Rosherville Limited and, during 2020/21 two subsidiaries, Rosherville Servicing Limited and Rosherville Property Development Limited, were formed. The accounts

NOTES TO THE CORE FINANCIAL STATEMENTS

for these companies can be viewed at Companies House once filed in accordance with statutory requirements.

Further information on the activity of the companies and its interactions with the Council is disclosed in the Group Accounts Section which commences on page 99.

15.19. Member Allowances

Member allowances (including all payments in relation to remuneration) to the value of £298k were paid during 2020/21 (2019/20 £293k,) in accordance with the Gravesham Borough Council Members' Allowances Scheme.

Further details are published on our website: www.gravesham.gov.uk/MemberAllowances

15.20. Officer Remuneration and Exit Packages

This note provides details of senior officers' remuneration, the number of employees earning above £50,000 per annum, and exit packages.

"Remuneration" incorporates basic pay, allowances & expenses and exit packages (where payable directly to the employee).

Senior Officers

In the case of senior officers, pension contributions are also disclosed (including pension-based exit packages). These contributions are amounts paid by the authority into the Kent County Council pension fund, but not directly receivable by the employee. Shaded posts fulfil statutory roles.

Senior Officer Remuneration 2020/21				
	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	119	-	22	141
Director (Communities)	101	-	18	119
Director (Corporate Services)	85	-	15	100
Director (Housing & Operations)	99	-	18	117
Director (Planning & Development)	100	-	18	118
Total	504	-	91	595

Senior Officer Remuneration 2019/20				
	Pay and allowances	Compensation for loss of office	Pension	Total remuneration
	£'000	£'000	£'000	£'000
Chief Executive	131	-	-	131
Director (Communities)	99	-	15	114
Director (Corporate Services)	99	-	15	114
Director (Housing & Operations)	99	-	15	114
Director (Planning & Development)	99	-	15	114
Total	527	-	60	587

The contribution rate for employer pension was 19% in 2020/21 (15.8% in 2019/20). Additionally, a lump sum of £900,000 has been paid as a "past service contribution". This amount is not included in the pension contributions for 2020/21 shown in the table above.

NOTES TO THE CORE FINANCIAL STATEMENTS

Employees earning above £50,000

2019/20	Employees earning above £50,000	2020/21
nos		nos
	Remuneration band	
4	£50,001 - £55,000	22
11	£55,001 - £60,000	13
3	£60,001 - £65,000	6
3	£65,001 - £70,000	1
2	£70,001 - £75,000	3
-	£75,001 - £80,000	-
3	£80,001 - £85,000	1
1	£85,001 - £90,000	1
2	£90,001 - £95,000	4
1	£95,001 - £100,000	-
-	£100,001 - £105,000	-
30	Total	51

The bandings exclude the remuneration of individuals already included within the senior officer tables but do incorporate exit packages directly payable where appropriate.

In 2020/21, a number of staff from the Council's "Principal Officer - Grade B" salary banding moved into the £50,001 - £55,000 bracket as a consequence of historic annual pay awards.

Exit Packages

The number of exit packages, both by type and banding are shown in the table below. Exit packages include both payments made directly to individuals, and other costs such as payments to Kent County Council in respect of pension benefits e.g., where retirement has been taken early but with preserved pension rights.

Exit packages	Number of compulsory		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
Cost band (including special payments)	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	nos	nos	nos	nos	nos	nos	£'000	£'000
£1-£20,000	-	-	1	2	1	2	2	29
£20,001-£40,000	1	0	1	1	2	1	71	26
£40,001-£60,000	-	1	-	-	-	1	-	48
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-	-	-
Total	1	1	2	3	3	4	73	103

15.21. External Audit Costs

The Council incurred the following fees relating to external audit, grant certification and other services in 2020/21.

2019/20	External Audit Costs	2020/21
£'000		£'000
54	Fees payable with regard to external audit services carried out for the year	41
32	Fees payable for the certification of grant claims and returns for the year	23
5	Fees payable in respect of other services provided during the year	5
91	Total	69

15.22. Construction Contracts (Commitments under Capital Contracts)

The Council has approved expenditure in future years of £192.20m (2019/20, £93.70m) under its capital programme of which £111.21m (2019/20, £41.87m) had been contracted as at 31 March 2020. The split between schemes contracted and not contracted is as follows:

Expenditure approved and contracted at 31 Mar 2020	Expenditure approved but not contracted at 31 Mar 2020	Commitments under Capital Contracts	Expenditure approved and contracted at 31 Mar 2021	Expenditure approved but not contracted at 31 Mar 2021
£'000	£'000		£'000	£'000
12,475	0	Improvement Programme	5,072	0
1,945	1,714	Health & safety works	1,945	2,171
3,165	10,886	Replacement Programme	3,165	15,507
14,080	14,482	New building programme	9,545	18,471
0	3,374	Renovation grants	0	3,567
0	1,396	Other HRA Schemes	0	1,628
10,204	19,981	General Fund capital schemes	91,478	39,649
41,869	51,833	Total	111,205	80,993

15.23. Pension Costs

Participation in the Pension Scheme

Employees of Gravesham Borough Council may participate in the Kent County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The fund is administered by Kent County Council in accordance with the Local Government Pension Scheme Regulations 2007-08 as amended. A formal valuation of the Kent County Council Pension Fund for funding purposes took place as at 31 March 2019, and has been incorporated into the year-end actuary report for IAS19 accounting.

As required under the IAS 19 'Employee Benefits' accounting standard, the projected unit credit method of valuation has been used. With this method, where the age profile of the active membership is rising, the current service cost will increase as the members of the scheme approach retirement.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, in accordance with IAS19, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. This ensures there is no cost to the local taxpayer.

Under IAS19, the Council is required to provide details of assets and future liabilities for pensions payable to Council staff, both past and present.

The following transactions, derived from an Actuarial Valuation for the purposes of IAS19 have been made in the Comprehensive Income and Expenditure Statement during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20	Pension Costs - Transactions relating to retirement benefits	2020/21
£'000		£'000
	<i>Comprehensive Income & Expenditure Statement</i>	
4,676	Current service cost	4,877
1,128	Past service costs	0
68	Administrative Expenses	87
141	Unfunded benefits	141
6,013		5,105
1,389	Net interest expense	1,430
7,402	<i>Net charge to Comprehensive Income & Expenditure Statement</i>	6,535
(3,785)	<i>Movement on Pensions Reserve</i>	(2,763)
3,617	<i>Employer's contributions payable to LGPS</i>	3,772

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2021 are as follows:

2019/20	Assets and liabilities relating to retirement benefits	2020/21
£'000		£'000
(167,564)	Present value of the defined benefit obligation	(205,785)
106,420	Fair value of plan assets	136,953
(61,144)	Net liability arising from defined benefit obligation	(68,832)
(1,527)	Present value of unfunded liabilities	(1,528)
(62,671)	<i>Total net liability</i>	(70,360)

Gravesham Borough Council's net liability on the Kent County Council Pensions Fund has increased from £62.67m at the previous year-end to £70.36m at 31st March 2021. This is a net increase in liability of £7.69m, largely as a result of changes in financial assumptions over the year relating to future assumed RPI and CPI inflation.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net pension liability is matched by an equivalent Pensions Reserve of £70.36m. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the Fund's liabilities.

IAS19 does not directly impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in this note to the Core Financial Statements. The total liability has an impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the

NOTES TO THE CORE FINANCIAL STATEMENTS

financial position of the Authority remains sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

The reconciliation of the present value of the scheme liabilities is shown below:

2019/20	Present value of Scheme liabilities	2020/21
£'000		£'000
(176,723)	Scheme Liabilities brought forward	(169,091)
(4,676)	Current service cost	(4,877)
(4,181)	Interest cost	(3,917)
(853)	Contributions from scheme participants	(916)
	Remeasurement gains/losses:	
2,271	- actuarial gains/losses arising from changes in demographic assumptions	1,976
12,798	- actuarial gains/losses arising from changes in financial assumptions	(38,645)
(1,128)	Past service cost	0
5,952	Benefits paid	5,713
(2,551)	Experience loss/(gain) on defined benefit obligation	2,444
(169,091)	<i>Total value of liabilities</i>	(207,313)

The reconciliation of fair value of employer assets is shown below;

2019/20	Fair value of Scheme assets	2020/21
£'000		£'000
117,160	Scheme Assets brought forward	106,420
2,792	Interest income	2,487
	Remeasurement gains/losses:	
(11,445)	- the return on plan assets, excluding the amount included in the net interest expense	29,299
(396)	- other	0
3,476	Contribution from employer	3,631
853	Contribution from employees into the scheme	916
(5,952)	Benefits paid	(5,713)
(68)	Administrative expenses	(87)
106,420	<i>Total value of liabilities</i>	136,953

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History

The history of actuarial gains/losses identified as movements on the Pensions Reserve can be analysed into the categories below, measured as absolute amounts and as a percentage of assets or liabilities:

2016/17	2017/18	2018/19	2019/20	Pension Costs - scheme history	2020/21
£'000	£'000	£'000			£'000
107,741	109,847	117,160	106,420	Fair value of scheme assets	136,953
(177,907)	(176,164)	(176,723)	(169,091)	Present value of scheme liabilities	(207,313)
(70,166)	(66,317)	(59,563)	(62,671)	Surplus/deficit	(70,360)
15,481	792	5,732	(11,445)	Return on assets less interest	29,299
7,145	0	0	(2,551)	Experience loss/(gain) on defined benefit obligation	2,444

The total contribution at outturn made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £3.50m. This comprises both pension amounts relating to the current staffing establishment, as well as past service contributions.

Information can also be found in Kent County Council's Pension Funds Annual Report, which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XQ.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates for the Kent County Council Fund being based on the last full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations are shown in the following tables. Where actual data is available, the actual rate of increase is also noted.

The discount rate employed equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, in accordance with CIPFA guidance.

Valuations techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property. Since the outbreak of COVID-19, as at the valuation date, valuers consider that they attach less weight to previous market evidence for comparison purposes to inform opinions of value. Valuations are therefore reported on the basis of "material uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme Assets consist of the following categories, by proportion of the assets held:

2019/20		2020/21	
Assumptions used		Assumptions used	
%		%	
	Long term expected return on assets		
	Mortality assumptions (years)		
21.80	Longevity at 65 for current pensioners (men)	21.60	
23.70	Longevity at 65 for current pensioners (women)	23.60	
23.20	Longevity at 65 for future pensioners (men)	22.90	
25.20	Longevity at 65 for future pensioners (women)	25.10	
	Other assumptions		
2.80	RPI increases	3.20	
2.00	CPI increases	2.80	
3.00	Salary increases	3.80	
2.00	Pension increases	2.80	
2.35	Discount rate	2.00	

2019/20		Employer asset share - bid value		2020/21	
£'000	%			£'000	%
65,469	61.52	Equities		88,188	64.39
827	0.78	Gilts		814	0.59
13,871	13.03	Other bonds		17,103	12.49
14,480	13.61	Property		14,174	10.35
2,785	2.62	Cash		6,791	4.96
8,988	8.44	Target return portfolio		9,883	7.22
106,420	100.00	Total		136,953	100.00

The results in this report include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes respectively. Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023.

The Fund's Actuary, Barnett Waddingham, were asked to undertake a review on the likely impact on the figures shown within previous years accounts for the purpose of the 2019/20 accounts; the Actuary concluded that any impact would not have been of a material nature, with an allowance for the impact of the McCloud/Sargeant judgements of £1,127k included in the 2019-20 accounts. This allowance was rolled forward and re-measured as part of the assessment of 2020/21 scheme liabilities.

15.24. Capital Expenditure and Capital Financing

In addition to utilising revenue funds in providing services to the public, the Council spends money procuring and maintaining the assets it needs to provide those services. The table below shows the total amounts incurred for the year together with the sources of finance and the authority's reduced borrowing requirement.

NOTES TO THE CORE FINANCIAL STATEMENTS

2019-20	Capital Expenditure and Financing	2020-21
£'000		£'000
117,039	<i>Opening Capital Financing Requirement</i>	113,414
	Capital Investment	
18,345	Property, Plant and Equipment	15,817
0	Heritage Assets	13
90	Intangible Assets	85
0	Equity Holding in Rosherville Group	3,491
0	Long Term Debtor	2,221
701	Revenue Expenditure Funded from Capital under statute	882
19,136		22,509
	Sources of Finance	
(4,042)	Capital Receipts	(3,070)
(62)	Government grants and contributions (received in year)	(70)
(177)	Government grants and contributions (brought forward)	(8)
(8,032)	Application of Reserves	(7,637)
(12,313)		(10,785)
	Sums set aside from revenue	
(5,007)	Direct revenue contributions	(2,659)
(5,441)	Minimum revenue provision (MRP)	(6,005)
(10,448)		(8,664)
113,414	<i>Closing Capital Financing Requirement</i>	116,474
	Explanation of movements in year	
(3,625)	<i>Total increase/(decrease) in underlying need to borrowing</i> (unsupported by Government financial assistance)	3,060
(3,625)	Increase/(Decrease) in Capital Financing Requirement	3,060

15.25. Contingent Assets

VAT claim on Royal Mail Postal Services

During 2020/21 the Council was one of a number of local authorities who jointly lodged a Group Litigation Order with the High Court in respect of embedded VAT paid on postal services provided by the Royal Mail since 1973. In July 2022 the Council formally withdrew from these proceedings.

15.26. Financial Instruments and Financial Risks

(a) Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the balance sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through Profit and Loss	17,966	19,148	0	0	0	0	0	0
Amortised Cost								
Principal	0	0	348	2,573	20,500	16,000	8,427	17,987
Cash & Cash Equivalents (CCE)	0	0	0	0	4,538	5,351	0	0
Amortised Cost Total	0	0	348	2,573	25,038	21,351	8,427	17,987
Fair Value through Other Comprehensive Income	0	3,491	0	0	0	0	0	0
Total Financial Assets	17,966	22,639	348	2,573	25,038	21,351	8,427	17,987
Non-Financial Assets	0	0	0	0	0	0	446	866
Total	17,966	22,639	348	2,573	25,038	21,351	8,873	18,853

Financial Liabilities	Non-Current Borrowings		Current Borrowings		Current Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	Restated 31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost						
Principal	100,206	99,247	13,431	7,198	8,615	19,169
Loans Accrued Interest	0	0	276	24	0	0
Total Financial Liabilities	100,206	99,247	13,707	7,221	8,615	19,169
Non-Financial Liabilities	0	0	0	0	2,073	5,907
Total	100,206	99,247	13,707	7,221	10,688	25,076

31 March 2020			Borrowings		31 March 2021	
Long Term	Current		Long Term	Current		
£'000	£'000		£'000	£'000		
75,663	5,418	PWLB	68,479	7,184		
24,543	0	Aviva Investors Loan	24,968	0		
0	8,000	Other Market Loans	5,800	0		
0	13	Temporary Loans	0	14		
100,206	13,431	Total Borrowings	99,247	7,198		

Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2019/20			2020/21		
Surplus or (Deficit) on the provision of Services	Other Comprehensive Income & Expenditure	Total	Surplus or (Deficit) on the provision of Services	Other Comprehensive Income & Expenditure	Total
£'000	£'000	£'000	£'000	£'000	£'000
					Net gains/losses on:
					Financial Asset measured at fair value
1,849	0	1,849			through profit or loss
			(1,182)		
1,849	0	1,849	(1,182)	0	(1,182)
					Interest Income:
					Financial Asset measured at amortised
(338)	0	(338)			cost
			(118)		
(793)	0	(793)			Financial Asset measured at fair value
			(718)		through profit and loss
(1,131)	0	(1,131)	(836)	0	(836)
					Total interest income:
4,709	0	4,709	4,037	0	4,037
					Interest Expense

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	Fair Value	
			31 March 2020	31 March 2021
			£'000	£'000
Fair value through Profit and Loss				
Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,986	4,916
Hermes Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	3,190	3,102
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,848	1,834
JP Morgan Multi Asset Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,144	5,009
Jupiter Distribution and Growth Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,157	2,457
Aberdeen Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,622	1,810
			17,947	19,128

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council holds units within three property funds and three multi asset funds, the fair value has been calculated using quoted share prices. There was an upward movement of £1.18m of the Fair Value of the units held in these funds between 31 March 2020 and 31 March 2021.

The Council submitted a redemption request to the Lothbury Property Fund in June 2023. For further details on this can be found in section 14.31 – Events after the Balance Sheet Date.

Except for financial assets carried at fair value (described in the above table), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, fair value is estimated using new borrowing (certainty rate) discount rates from the PWLB.
- For non-PWLB loans payable, fair value is estimated using the new borrowing certainty rate with a similar duration to the remaining period of the loan;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2020			Fair Value Hierarchy Level	31 March 2021	
Carrying Amount	Fair Value			Carrying Amount	Fair Value
£'000	£'000			£'000	£'000
81,081	85,032	PWLB	2	75,663	81,626
24,543	20,580	Aviva Investors Loan	2	24,968	22,823
8,000	8,328	Market Loans	2	5,800	5,732
13	13	Temporary Loans		14	14
8,615	8,615	Short Term Creditors		19,169	19,169
122,252	122,568	Total		125,614	129,364

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £81.626m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

The fair value of the Aviva Investors Loan measures £22.8m. In the absence of a substantial active market for a similar transaction, the valuation has been made by the comparison of the fixed term financial liability with a comparable PWLB loan using the new borrowing certainty rate with the same/similar duration to the remaining period of the loan. A margin is added based on the assumed original loan interest rate compared to the equivalent PWLB loan on the loan issue date. The fair value of this transaction would have been £20.1m, as at 31 March 2021 (£18.169m as at 30 March 2020), if rated had been 1% higher.

31 March 2020		31 March 2021	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£'000	£'000	£'000	£'000
20,500	20,500	16,000	16,000
0	0	3,491	3,491
4,538	4,538	5,351	5,351
348	348	2,573	2,573
8,427	8,427	17,987	17,987
33,813	33,813	45,402	45,402

Short-term investments, debtors and creditors are carried at cost as this is a fair approximation of their value.

Impact of COVID-19 on Property Fund Investment Valuations

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets.

Market activity has been impacted in many sectors. As at the valuation date, the Council's external Property Fund Managers considered that they could attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that they were faced with an unprecedented set of circumstances on which to base a judgement.

The fund valuations are, therefore, reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. Risk management is carried out by the central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions (counterparties), as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's, and Standard & Poor's Credit Ratings Services. The

NOTES TO THE CORE FINANCIAL STATEMENTS

Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all those three agencies mentioned above forming the core element. However, it does not rely solely on the current ratings of counterparties but also uses the following overlays:

- Credit watches and credit outlooks from credit rating agencies,
- CDS spreads to give early warning of likely changes in credit ratings,
- Sovereign ratings to select counterparties from only the most creditworthy countries.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions of £21.25m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

	Credit Rating	Balance at 31 March 2021	Historic Experience of Default	Estimated maximum exposure to default at 31 March 2021
		£'000	%	£'000
Deposits with Banks and Financial Institutions				
Wokingham Borough Council	AAA	5,000	0.025%	1
Moray Council	AAA	3,000	0.019%	1
Santander UK	A+	7,000	0.025%	2
Santander UK	A+	1,000	0.013%	0
Invesco MMF	AAA	1,505	0.000%	0
Deutsche MMF	AAA	24	0.000%	0
Insight Sterling Liquidity Fund	AAA	3,100	0.000%	0
Aberdeen MMF	AAA	620	0.000%	0
Total		21,249		3

The estimated maximum exposure to default as at 31 March 2021 is based on historic experience of default. The current COVID-19 pandemic could have an impact on credit risk, the quantum of which cannot be assessed.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity, Refinancing and Maturity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a cash flow management, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The maturity analysis of financial liabilities, excluding sums due from customers and finance leases, is as follows:

31 March 2020		Maturity Profile		31 March 2021	
£'000	%			£'000	%
13,431	11.82%	Less than 1 year		7,198	6.76%
7,184	6.32%	1 - 2 years		7,761	7.29%
25,141	22.12%	2 - 5 years		32,863	30.87%
43,338	38.14%	5 - 10 years		33,655	31.62%
24,543	21.60%	5 - 10 years		24,968	23.46%
113,637	100.00%	Total		106,445	100.00%

Interest rate risk

All borrowings held by the Council are at a fixed interest rate and therefore movements in interest rates do not expose the Council to a risk in respect of these. The Council does however remain exposed to such risk in respect of the interest earned on its investments.

Net Asset Value risk

The Council holds investment units within three managed property funds and three multi asset funds that have been classified as Fair Value through Profit and Loss, however the Council has chosen to use the 5-year statutory override as allowed by CIPFA, therefore any gains or losses on prices will be taken to the Pooled Investment Funds Adjustment Account.

Price risk

The Council holds only minimal investments in UK Government bonds and therefore is not exposed to any significant gains or losses arising from movements in the price of these bonds. As at 31 March 2021, these bonds were valued at cost at £413.

15.27. Leasing

The requirements of the IFRS reporting standards impact significantly on the Council's leasing arrangements. The Council has undertaken a detailed review of the leases operated by the Council for both Vehicles Plant and Equipment and for Land and Property as both lessee and lessor. The existing lease registers satisfy the requirements of IFRS both in representing this document and for future assessment and management of the lease portfolio.

Operating Leases

The Council uses operating leases to acquire officer and fleet vehicles, computer hardware and printing equipment. The amount paid under these arrangements in 2020/21 was £86,000 (2019/20 £132,000). The future cash payments required under these leases are payable as follows:

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Amount payable next year 2021/22	51	62
Amounts payable 2-5 years	176	21
Amount payable 6+	30	0
Total	257	83

An analysis of the operating lease payments that the Authority is committed to make in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

	Land and property	Vehicles, plant and equipment
	£'000	£'000
Expiring next year 2021/22	0	25
Expiring 2-5 years	21	37
Expiring 6+	30	0
Total	51	62

Disclosure as a Lessor

The Council acts as a lessor on a portfolio of commercial properties for which rentals for 2020/21 amounted to £2.77m (2019/20 £2.55m).

The net book value of these assets within the Balance Sheet is £53.44m (2019/20 £56.71m).

NOTES TO THE CORE FINANCIAL STATEMENTS

Property	Income 2019/20	Income 2020/21	Balance Sheet value
	£'000	£'000	£'000
Network House, Gillingham Business Park	176	286	3,500
Industrial Units, Springhead Enterprise Park	770	993	17,540
Site at Stuart Road, Gravesend	511	511	5,570
District Shopping Centres	302	317	3,262
Industrial Units, Norfolk Road	306	266	8,740
St John's House, Dartford	145	145	1,810
123-127 High Street Shop, Sittingbourne	85	85	620
Miscellaneous Properties	253	168	14,357
Total	2,548	2,771	53,442

The future cash receipts expected over the full life of the leases are as follows:

	Land and property
	£'000
Amounts receivable next year 2021/22	2,294
Amounts receivable 2-5 years	5,454
Amounts receivable 6+	4,398
Total	12,146

An analysis of the operating lease sums receivable that the Authority is expected to receive in the next financial year analysed between those leases that will expire in the next year, in the second to fifth subsequent years, and from the sixth subsequent year onwards:

	Land and property
	£'000
Amounts receivable next year 2021/22	63
Amounts receivable 2-5 years	1,388
Amounts receivable 6+	843
Total	2,294

Group Accounts

GROUP BALANCE SHEET

At 31 March 2020	Group Balance Sheet		At 31 March 2021	
Group		Gravesham Borough Council	Group	
£'000	Notes	£'000	£'000	£'000
Property, Plant and Equipment	16.2			
Operational assets				
320,813 - council dwellings		409,090		409,090
46,188 - other land and buildings		42,899		42,899
3,670 - vehicles, plant and equipment		3,805		3,805
1,204 - infrastructure assets		1,057		1,057
2,877 - community assets		2,877		2,877
4,321 - assets under construction		10,050		14,930
246 - land and buildings		246		246
379,319 Total Property, Plant and Equipment			470,024	474,904
255 Intangible Assets		245		245
3,653 Heritage assets		3,666		3,666
39,400 Investment Properties		38,070		38,070
348 Long Term Debtors	16.3	2,573		352
17,966 Long term Investments	16.4	22,639		19,148
440,941 Total Non-Current Assets			67,193	61,481
38 Inventories		19		19
16,786 Short -term Debtors (Gross)		27,294		27,420
(7,913) Debt Impairment Provision		(8,441)		(8,441)
4,538 Cash and Cash Equivalents		5,351		5,611
20,500 Investments		16,000		16,000
20 Assets Held For Sale		0		0
474,910 Total Assets			40,223	40,609
Current Liabilities:				
(13,706) Short-term Borrowing		(7,221)		(7,221)
(10,688) Short-term Creditors		(25,075)		(25,092)
450,516 Total Assets less Current Liabilities			(32,296)	(32,313)
Long Term Liabilities:				
(531) Capital Grants Receipts in Advance		(577)		(577)
(1,648) Provisions		(1,717)		(1,717)
(62,671) Liability Related to Defined Benefit Pension Scheme		(70,360)		(70,360)
(100,206) Long-term Borrowing		(99,247)		(99,247)
(165,056) Total Long-term Liabilities			(171,901)	(171,901)
285,460 Total Net Assets			373,243	372,780
Financed by:				
(244,873) Unusable Reserves		(327,105)		(327,105)
(40,587) Usable Reserves	16.5	(46,138)		(45,675)
0 Share Capital (Rosherville Group)		0		0
(285,460) Total Reserves			(373,243)	(372,780)

GROUP MOVEMENT IN RESERVES STATEMENT

Financial Year 2020/21	General Fund Balance	Earmarked Reserves	HRA	Major Repairs Reserve	Capital Receipts	Grants and Cont unapplied	Total Usable Reserves (Council)	Unusable Reserves (Council)	Rosherville Group	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(8,935)	(14,944)	(3,000)	(936)	(12,625)	(147)	(40,587)	(244,873)	0	(285,460)
(Surplus)/Deficit on Provision of Services	672		(23,207)				(22,535)		17	(22,518)
Other Comprehensive Expenditure or Income								(65,248)	0	(65,248)
Total Comprehensive Expenditure and Income	672		(23,207)				(22,535)	(65,248)	17	(87,766)
Adjustment between accounting basis and funding basis	(8,168)		23,482	781	881	8	16,984	(16,984)	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	(7,496)		275	781	881	8	(5,551)	(82,232)	17	(87,766)
Transfers to/(from) Earmarked Reserves	7,173	(6,898)	(275)				0			0
Adjustments between group accounts and authority accounts	446						446	0	0	446
(Increase)/Decrease in year	123	(6,898)	0	781	881	8	(5,105)	(82,232)	17	(87,320)
Balance at 31 March 2021	(8,812)	(21,842)	(3,000)	(155)	(11,744)	(139)	(45,692)	(327,105)	17	(372,780)

GROUP CASH FLOW STATEMENT

At 31 March 2020	Group Cash Flow Statement	At 31 March 2021	Gravesham Borough Council	Group
£'000		£'000	£'000	£'000
3,090	a) Net (Surplus) or Deficit on the Provision of Services		(22,535)	(22,072)
	b) Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements			
(9,682)	Depreciation	(9,260)		(9,260)
(6,149)	Movement in valuations	17,642		17,642
(77)	Amortisation of non-current assets	(95)		(95)
(744)	Movement in impairment provision for bad debts	(528)		(528)
(1,274)	Movement in creditors	(14,269)		(14,286)
(1,415)	Movement in revenue debtors	18,564		16,469
11	Movement in inventories	(19)		(19)
(303)	Movement in provisions	(69)		(69)
(3,785)	Movement in pension liability	(2,763)		(2,763)
(1,899)	Carrying amount of non-current assets sold	(1,820)		(1,820)
(185)	Other non-cash items charged to the net surplus or deficit on the provision of services	(49)		(49)
(22,412)			7,334	5,222
	c) Adjustment for items in the net (surplus)/deficit on the provision of services that are investing and financing activities			
4,467	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,635		2,635
17	Other Receipts for investing activities	116		116
(17,928)	d) Net Cash Flows from Operating Activities		2,751	2,751
	e) Investing Activities			
18,439	Purchase of property, plant and equipment, investment property and intangible assets	15,797		20,677
25,000	Purchase of Short Term and Long Term Investments	16,471		12,980
17	Other Payments for investing activities	2,232		2,232
(4,467)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,635)		(2,635)
(26,518)	Proceeds from Short Term and Long Term Investments	(19,500)		(19,500)
(50)	Capital Grants received in year	(116)		(116)
(17)	Other Receipts for investing activities	0		0
12,404	Net cash flows from investing activities		12,249	13,638
	f) Financing Activities			
(519)	Cash Receipts of short and long term borrowing	(15,891)		(15,891)
995	Other receipts from financing activities	(7,805)		(7,805)
4,903	Repayments of short and long term borrowing	23,084		23,084
5,379	Net cash flows from financing activities		(612)	(612)
(145)	g) Net movements in year excluding non-cash items		(813)	(1,073)
4,393	h) Cash and cash equivalents at the beginning of the reporting period		4,538	4,538
145	i) Net increase or (decrease) in cash or cash equivalents		813	1,073
4,538	j) Cash and cash equivalents at the end of the reporting period		5,351	5,611

16. NOTES TO THE GROUP FINANCIAL STATEMENTS

The notes that follow have been provided in support of the core statements. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

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16.1. Introduction

The CIPFA Code of Practice requires that where an authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the council's financial activities and the resources employed in carrying out those activities.

The Rosherville Group commenced activity in 2020/21, consisting of Rosherville Limited (Holding Company), Rosherville Servicing Limited and Rosherville Property and Development Limited. For the purposes of group accounting, these have been consolidated into an overall Rosherville Group position, which then forms consideration for consolidation in Group Accounts.

Group Core Statements have been prepared for the Balance Sheet, Movement in Reserves Statement, and Cash Flow Statement. Due to the start-up nature of the Rosherville Companies in 2020/21 as they began trading, there was limited (non-material, non-trivial) impacts to consider of income and expenditure. Consequently, no Group Comprehensive Income and Expenditure has been prepared, and instead, readers of the accounts should view the Council's single-entity Comprehensive Income and Expenditure Statement on page 51 to also be that of the Group's position.

In a similar fashion, as Rosherville Group activities only commenced in 2020/21, there are no specific opening balances brought-forward from 2019/20 to consider. Readers of the accounts should in each instance consider the opening balances of the Council and the Group to be one and the same.

The following Notes to Groups Accounts have been prepared giving consideration to both qualitative and quantitative information, to aid the understanding of the Group position to readers of the accounts.

NOTES TO THE GROUP FINANCIAL STATEMENTS

16.2. Group Property Plant and Equipment

Group Property, plant & equipment									
Gravesham Borough Council									
Financial Year 2020/21	Operational Assets					Non-Op Assets		GBC Total	Group Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets Under Construction	Surplus Assets		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2020	320,814	47,899	8,960	2,218	2,878	4,321	246	387,336	387,336
Additions	5,624	2,048	760	0	0	7,385	0	15,817	20,697
Revaluation increases/(decreases) recognised in Revaluation Reserve	61,206	(2,599)	0	0	0	0	0	58,607	58,607
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	21,699	(357)	0	0	0	0	0	21,342	21,342
Derecognition - disposals	(1,908)	(2,019)	0	0	0	0	0	(3,927)	(3,927)
Assets reclassified	1,656	(29)	29	0	0	(1,656)	0	0	0
Other movements in cost or valuation	(1)	(530)	(1)	0	0	0	0	(532)	(532)
As at 31 March 2021	409,090	44,413	9,748	2,218	2,878	10,050	246	478,643	483,523
Accumulated Depreciation and Impairments									
As at 1 April 2020	(1)	(1,711)	(5,290)	(1,014)	(1)	0	0	(8,017)	(8,017)
Depreciation Charge for year	(6,728)	(1,748)	(637)	(147)	0	0	0	(9,260)	(9,260)
Accumulated depreciation written out to the Revaluation Reserve	10,249	1,344	0	0	0	0	0	11,593	11,593
Accumulated depreciation written out to the Surplus/Deficit on the Provision of Services	(3,560)	8	0	0	0	0	0	(3,552)	(3,552)
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Accumulated depreciation and impairment written back on disposal	40	47	0	0	0	0	0	87	87
Reclassifications	0	16	(16)	0	0	0	0	0	0
Other movements in depreciation and impairment	0	530	0	0	0	0	0	530	530
As at 31 March 2021	0	(1,514)	(5,943)	(1,161)	(1)	0	0	(8,619)	(8,619)
Net Book Value									
At 31 March 2021	409,090	42,899	3,805	1,057	2,877	10,050	246	470,024	474,904
At 1 April 2020	320,813	46,188	3,670	1,204	2,877	4,321	246	379,319	379,319

The Group PPE note largely reflects that of the single-entity, Gravesham Borough Council, although from a group perspective also includes £4,880k shown under additions, and relating to Assets Under Construction in respect of The Charter development.

16.3. Group Long term Debtors

31st March 2020	Group Long term Debtors		Movement	GBC 31st March 2021	Group 31st March 2021
£'000			£'000	£'000	£'000
348	Other entities and individuals		2,225	2,573	352
348	Total			2,573	352

As the most notable movement from 2019/20 from the Council's perspective relates to a long-term debtor with the Rosherville Group, the adjusted group position removes this.

NOTES TO THE GROUP FINANCIAL STATEMENTS

16.4. Group Long term Investments

31st March 2020	Group Long term Investments	GBC 31st March 2021	Group 31st March 2021
£'000		£'000	£'000
0	Additions	3,491	0
(1,850)	Revaluation	1,182	1,182
(1,850)	Total increase/(decrease) in	4,673	1,182
19,816	Balance brought forward at 1 April	17,966	17,966
(1,850)	Movement in year	4,673	1,182
17,966	Balance carried forward at 31 March	22,639	19,148

Additions of £3,491k in the Council's accounts relates to investment in the Rosherville Group. As this is an inter-group transaction, it has been removed upon consolidation into Group accounts.

16.5. Group Usable Reserves

31st March 2020	Group Usable Reserves	GBC 31st March 2021	Group 31st March 2021
£'000		£'000	£'000
(12,625)	Capital Receipts Reserve	(11,744)	(11,744)
(13,079)	Earmarked Reserves	(19,348)	(19,348)
(1,865)	Revenue Grants not yet applied	(2,494)	(2,494)
(147)	Capital Grants & Contributions Unapplied	(139)	(139)
(936)	Major Repairs Reserve	(155)	(155)
(8,935)	General Fund Balance	(9,258)	(8,795)
(3,000)	Housing Revenue Account Balance	(3,000)	(3,000)
(40,587)	Total Usable Reserves	(46,138)	(45,675)

The Council's General Fund balance includes sums generated owed by the Rosherville Group, and thus as an inter-group balance, these have been removed upon consolidation of the Group position. All other reserves remain unchanged.

Supplementary Financial Statements

HOUSING REVENUE ACCOUNT

2019/20	Housing Revenue Account Income and Expenditure Statement	2020/21
£'000		£'000
	Expenditure	
7,035	Repairs and maintenance	7,339
6,958	Supervision & management	7,270
9	Rents, rates, taxes and other charges	71
(1)	Depreciation of assets	
6,716	- dwellings	6,728
204	- non-dwellings	163
17	Amortisation of Intangible assets	17
(6)	Impairment/revaluation of non-current assets	(9)
4,339	Impairment/Impairment Reversals of Council dwellings	(18,139)
140	Provision for bad & doubtful debts	376
25,411		3,816
	Income	
(25,666)	Dwelling rents	(26,365)
(147)	Non-dwelling rents	(156)
(2,337)	Charges for service & facilities	(1,679)
0	Contribution towards expenditure (Supporting people)	(495)
(120)	Other income	(278)
(28,270)		(28,973)
(2,859)	Net cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(25,157)
(2,578)	Gain or loss on the sale of HRA non-current assets	(617)
0	Other capital receipts	(21)
2,383	Interest payable and similar charges	2,290
(75)	Interest and investment income	(31)
0	Capital Grants and Contributions	0
326	Net pension interest	329
(2,803)	(Surplus)/deficit for the year on HRA Services	(23,207)

The HRA Income and Expenditure Account shows the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account.

In 2020/21 individual expenditure and income figures have been categorised consistent with those used in Budget Monitoring and Outturn Reporting.

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Accounts and the HRA Balance.

HOUSING REVENUE ACCOUNT

2019/20	Movement on the Housing Revenue Account Statement	2020/21
£'000		£'000
(3,000)	Balance brought forward at 1 April	(3,000)
(2,803)	(Surplus) or Deficit for the Year on the HRA Income & Expenditure	(23,207)
5,850	Adjustments between accounting basis and funding basis under statute	23,482
3,047	Net (increase) or decrease before transfers to or from reserves	275
(3,047)	Transfer to/(from) earmarked reserves	(275)
0	Total (increase)/decrease	0
(3,000)	Balance carried forward at 31 March	(3,000)

17. NOTES TO THE HOUSING REVENUE ACCOUNT

The notes that follow have been provided in support of the Housing Revenue Account. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

17.1 General

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the Housing Revenue Account Statement.

17.2 Housing Stock

As at 31 March 2021, the Council had 5,642 dwellings (2019/20, 5,685). This represents a reduction in Council housing stock since 2019/20, as a result the sale of 16 properties under the Right-to-buy scheme, 40 properties underwent demolition/conversion as part of redevelopment initiatives, and 13 properties being added to the housing stock through the Council's New Build and Acquisitions programme.

A profile of the age and type of dwellings held is set out below:

HRA Housing stock					Total HRA assets as at 31 March 2021
	Pre 1919	1919-44	1945-64	Post 1964	
Flats					
- 0 bedroom	0	0	40	49	89
- 1 bedroom	0	18	393	1,216	1,627
- 2 bedrooms	0	1	151	313	465
- 3 bedrooms	0	0	101	232	333
Houses & bungalows					
- 0 bedroom	0	0	2	0	2
- 1 bedroom	0	18	65	107	190
- 2 bedrooms	16	138	345	215	714
- 3 bedrooms	3	775	936	285	1,999
- 4 bedrooms	0	113	93	17	223
Total	19	1,063	2,126	2,434	5,642

HOUSING REVENUE ACCOUNT

17.3 HRA Non-Current Assets

The opening and closing Balance Sheet values for HRA non-current assets are shown below:

HRA Non-current assets							
Financial Year 2020/21	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2020	320,814	4,424	3,139	400	323	456	329,556
Additions	5,624	905	6,273	0	1	0	12,803
Revaluation increases/decreases recognised in Revaluation Reserve	61,206	458	0	0	0	0	61,664
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	21,699	9	0	0	0	0	21,708
Derecognition - Disposals	(1,908)	(59)	0	0	0	0	(1,967)
Assets reclassified	1,656	0	(1,656)	0	0	0	0
Other movements in cost or valuation	(1)	0	0	0	0	0	(1)
As at 31 March 2021	409,090	5,738	7,756	400	324	456	423,763
Accumulated Depreciation and Impairments							
As at 1 April 2020	(1)	(196)	0	(350)	(227)	(439)	(1,213)
Depreciation/Amortisation Charge for year	(6,728)	(146)	0	0	(17)	(17)	(6,908)
Accumulated depreciation written out to the Revaluation Reserve	10,249	314	0	0	0	0	10,563
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	(3,560)	0	0	0	0	0	(3,560)
Accumulated depreciation and impairment written out on disposal	40	6	0	0	0	0	46
As at 31 March 2021	0	(22)	0	(350)	(244)	(456)	(1,072)
Net Book Value							
At 31 March 2021	409,090	5,716	7,756	50	80	0	422,692
At 1 April 2020	320,813	4,229	3,139	50	96	17	328,344

HOUSING REVENUE ACCOUNT

HRA Non-current assets							
Financial Year 2019/20	Operational Assets			Non-Op Assets			Total HRA assets
	Council Dwellings	Other Land & Buildings	Assets Under Construction	HRA Non Op Land & Build	Vehicles, Plant & Equipment	Intangible assets	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
As at 1 April 2019	320,205	4,254	1,545	400	308	456	327,168
Additions	12,409	0	2,736	0	14	0	15,159
Revaluation increases/decreases recognised in Revaluation Reserve	0	165	0	0	0	0	165
Revaluation increases/(decreases) recognised in Surplus/Deficit on Provision of Services	(11,014)	6	0	0	0	0	(11,008)
Derecognition - Disposals	(1,929)	0	0	0	0	0	(1,929)
Assets reclassified	1,142	0	(1,142)	0	0	0	0
Other movements in cost or valuation*		(1)	0	0	1	0	0
As at 31 March 2020	320,813	4,424	3,139	400	323	456	329,555
Accumulated Depreciation and Impairments							
As at 1 April 2019	0	(16)	0	0	(203)	(422)	(641)
Depreciation/Amortisation Charge for year	(6,716)	(180)	0	0	(24)	(17)	(6,937)
Accumulated depreciation written out to the (Surplus)/Deficit on the Provision of Services	6,675	0	0	0	0	0	6,675
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0	(350)	0	0	(350)
Accumulated depreciation and impairment written out on disposal	41	0	0	0	0	0	41
As at 31 March 2020	0	(196)	0	(350)	(227)	(439)	(1,212)
Net Book Value							
At 31 March 2020	320,813	4,229	3,139	50	96	17	328,344
At 1 April 2019	320,205	4,238	1,545	400	105	34	326,527

The total net book value of HRA non-current assets as at 31 March 2021 is £422.69m (£328.34m at 31st March 2020).

For 2020/21, depreciation and amortisation against the HRA was £6.91m. Depreciation in respect of Council dwellings in 2020/21 was £6.73m (2019/20, £6.72m) and is a real charge to the HRA.

17.4 Vacant Possession Value of HRA Dwellings

Every five years an external valuation of the housing stock is carried out. The most recent full valuation was as at 31 March 2021. For the years in between external valuations, a desktop exercise is carried out; as a result of the latest valuation Council dwellings were assessed to have a market valuation of £1,239.67m. A regional adjustment factor of 33% is applied to this valuation to reflect the fact that Local Authority housing is let at sub-market rents and to give a valuation on the basis of Existing Use Value for Social Housing (EUV-SH). After applying the regional adjustment factor, the valuation of Council dwellings is £409.09m as at 31 March 2021. COVID-19 is likely to have an impact upon valuations. This is set out further under note 15.6.

17.5 Major Repairs Reserve

This reserve provides resources for capital investment on the Council's housing stock and is funded by depreciation charges on non-current tangible assets. Amortisation on non-tangible assets has not been transferred into the MRR.

2019/20	Major Repairs Reserve	2020/21
£'000		£'000
	Amount transferred in year	
(6,716)	- Dwellings	(6,729)
(197)	- Non-dwellings	(128)
8,032	Amount utilised in capital financing	7,637
1,119	Total (increase)/decrease	780
(2,055)	Balance brought forward at 1 April	(935)
1,119	Movement in year	780
(936)	Balance carried forward at 31 March	(155)

17.6 Financing of HRA Capital Expenditure

Capital expenditure of £12.96m (2019/20, £15.16m) on HRA assets was financed as follows:

2019/20	HRA Financing of capital expenditure	2020/21
£'000		£'000
	Capital expenditure	
12,409	Dwellings	5,624
2,750	Non-dwellings	7,179
0	Revenue Expenditure Funded from Capital under statute	153
15,159	Total	12,956
	Financed by	
(3,643)	Capital receipts	2,844
0	Grants and Contributions	0
(8,032)	Major Repairs Reserve	7,637
(3,484)	Funded from revenue	91
0	External Borrowing	2,384
(15,159)	Total	12,956

17.7 Capital Receipts

Capital receipts are sums received in respect of the disposal of any interest in an asset. The use of capital receipts is restricted by a general requirement to pool a proportion of these.

An analysis of the total HRA capital receipts received during 2020/21 is shown in the next table:

2019/20	HRA Capital receipts	2020/21
£'000		£'000
Receipts for the year		
(4,467)	Sale of Council Dwellings	(2,538)
0	Repaid Discounts	(21)
(4,467)	Total	(2,559)
Use of receipts		
522	Paid to Housing Capital Receipts Pool	523
420	Capital financing - HRA schemes	192
3,684	Transfer to Earmarked Reserves	1,792
4,626	Total	2,507
(1,319)	Balance brought forward	(1,160)
(1,160)	Total unapplied capital receipts held	(1,212)

17.8 Movement on Pensions Reserve

In accordance with Accounting Policy 14.22, the Net Cost of Services has been adjusted to reflect the cost of pensions in accordance with IAS 19 'Employee Benefits'. The adjustment is £0.63m in respect of current and past service cost for 2020/21. However, this was reversed out to the Pensions Reserve so that there was no impact on the HRA.

17.9 Dwelling Rents

This item includes all rent rebates granted by the Council to HRA tenants but excluding rental income in respect of empty properties. To comply with the Government's policy on rent restructuring and the Intensive Housing Management Programme, the Council has 'un-pooled' charges for services that were previously included as part of the tenants' rents.

HOUSING REVENUE ACCOUNT

17.10 Rent and Service Charge Arrears

At the end of the year, arrears as a proportion of gross rent and service charge income for current and former tenants had increased to 3.75% (2019/20, 3.00%). The arrears for current tenants and former tenants are shown in the table below together with the amounts written off and provided for during the year, for bad and doubtful debts.

2019/20	HRA Rent and service charges arrears	2020/21
£'000		£'000
952	Current tenant arrears	767
(849)	Rents paid in advance	(908)
1,118	Former tenant arrears	1,212
<u>1,221</u>	Total	<u>1,071</u>
(1,184)	Provision for bad debts	(1,327)
(144)	Rent arrears written off	(1)

17.11 Charges for Services and Facilities

The total income accounted for during the year is set out below:

2019/20	HRA Charges for services	2020/21
£'000		£'000
(1,241)	Service charges - tenants	(1,281)
(303)	Service charges - leaseholders	(293)
(276)	Service charges - leaseholders (contribution to capital works)	(106)
(517)	Support charges	(509)
<u>(2,337)</u>	Total	<u>(2,189)</u>

17.12 HRA Interest payable & Investment Income

This item is the HRA's share of income derived from investments and interest on notional cash balances.

The interest payable is on the loan taken out by the HRA for self-financing.

17.13 Further Information

The Authority is required to provide tenants with further information about housing activities, and copies of this information are available from Gravesham Housing, Civic Centre, Windmill Street, Gravesend, Kent, DA12 1AU.

COLLECTION FUND

2019/20			2020/21		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£'000	£'000	£'000	£'000	£'000	£'000
Income and Expenditure Account					
Income					
Income from Council Tax and Business Rates					
	(61,097)	(61,097)		(62,947)	(62,947)
		0		(795)	(795)
(24,512)		(24,512)	(13,129)		(13,129)
(24,512)	(61,097)	(85,609)	(13,129)	(63,742)	(76,871)
Contribution for previous year's deficit:					
	(31)	(31)			0
	(183)	(183)			0
	(25)	(25)			0
	(11)	(11)			0
	0	0	(497)		(497)
(24,512)	(61,347)	(85,859)	(13,626)	(63,742)	(77,368)
Expenditure					
Precepts, Demands and Shares					
12,080		12,080	12,203		12,203
9,664	7,232	16,896	9,762	7,513	17,275
2,174	44,090	46,264	2,196	46,395	48,591
	6,554	6,554		6,975	6,975
242	2,638	2,880	244	2,722	2,966
24,160	60,514	84,674	24,405	63,605	88,010
Apportionment of previous year's surplus:					
		0			0
		0	497		497
		0			0
		0			0
		0			0
24,160	60,514	84,674	24,902	63,605	88,507
Charges to Collection Fund					
(74)	0	(74)	24		24
0	4	4			0
286	679	965	159	887	1,046
0	0	0	(64)		(64)
758	0	758	235		235
92	0	92	92		92
1,062	683	1,745	446	887	1,333
710	(150)	560	11,722	750	12,472
(580)	250	(330)	130	100	230
130	100	230	11,852	850	12,702

18 NOTES TO THE COLLECTION FUND

The notes that follow have been provided in support of the Collection Fund. Some are detailed breakdown of figures presented on the statements whilst others give additional information provided for disclosure purposes.

18.1 General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Business Rates, Council Tax and the distribution to the major preceptors and the General Fund. The account is consolidated with other accounts of the Council.

18.2 Council Tax

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings) for 2020/21 was approved on 10 January 2020 as follows:

Band	2019/20			2020/21		
	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs)</i> (a)	<i>Multipliers</i> (b)	<i>Band D equivalents properties</i> (a x b)	<i>Estimated Number of properties (Net of exemptions, discounts & reliefs)</i> (c)	<i>Multipliers</i> (d)	<i>Band D equivalents properties</i> (c x d)
A with disabled relief	2.50	5 /9	1.39	4.00	5 /9	2.22
A	2,136.26	6 /9	1,424.17	2,167.75	6 /9	1,445.17
B	5,126.21	7 /9	3,987.05	5,209.43	7 /9	4,051.78
C	11,831.41	8 /9	10,516.81	11,969.52	8 /9	10,639.58
D	8,675.46	9 /9	8,675.46	8,886.52	9 /9	8,886.52
E	4,181.68	11 /9	5,110.94	4,214.84	11 /9	5,151.49
F	1,903.58	13 /9	2,749.61	1,915.33	13 /9	2,766.58
G	979.36	15 /9	1,632.26	989.85	15 /9	1,649.76
H	87.75	18 /9	175.50	88.00	18 /9	176.00
Tax Base before Council Tax Support			34,273.19			34,769.10
Estimated Collection Rate			99.0%			98.75%
Council Tax Base			33,930.46			34,334.50

The tax rate per Band D property, excluding Parish Council precepts, was £1,841.78 (2019/20, £1,773.46).

18.3 Income from Business Ratepayers

The Council collects Business Rates from businesses in the borough, based on local rateable values multiplied by a national uniform rate (multiplier). On the 1 April 2013, a system of locally retained business rates was introduced by the government, replacing the former central pooling method of redistribution. The total non-domestic rateable value for the borough at 31 March 2021 was £65.4m (31 March 2020 £64.8m). The respective multipliers for 2020/21 were 51.2p (non-domestic rating multiplier) and 49.9p (small business non-domestic rating multiplier) per £ of rateable value.

18.4 Collection Fund Surplus/Deficit

The Council is required to estimate by 15 January the amount of the surplus/deficit on the Collection Fund for the financial year in respect of Council Tax, and with effect from this financial year, Business Rates. The estimated surplus/deficit on each fund is shared the following year between the relevant preceptors in proportion to the value of their respective precepts. Each of the major preceptors' shares of the surplus/deficit are shown in the table below.

It should be noted that there is a reduction in Business Rates income of £11,383k from Central Government within the 2020/21 Collection Fund compared to 2019/20. This is the chief contributor to an increased Business Rates Collection Fund deficit in 2020/21 of £11,852k, compared to £130k in 2019/20, and has largely arisen from circumstances surrounding the COVID-19 pandemic. In 2020/21, Central Government issued a range of support measures directly to businesses, thus reducing rates payable to the authority, and instead, compensated the Council through various Section 31 grants which fall outside the Collection Fund.

Collection Fund Surplus/deficit 2020/21						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Government	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
(Surplus)/deficit brought forward	12	73	11	4		100
(Surplus)/deficit for year	88	547	83	32		750
(Surplus)/deficit carried forward	100	620	94	36		850
Business Rates						
(Surplus)/deficit brought forward	52	(485)		1	562	130
(Surplus)/deficit for year	4,689	1,552		117	5,364	11,722
(Surplus)/deficit carried forward	4,741	1,067		118	5,926	11,852

Collection Fund Surplus/deficit 2019/20						
	Gravesham Borough Council	Kent County Council	Kent Police & Crime Com- missioner	Kent Fire & Rescue Service	Central Government	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax						
(Surplus)/deficit brought forward	31	183	25	11		250
(Surplus)/deficit for year	(19)	(110)	(14)	(7)		(150)
(Surplus)/deficit carried forward	12	73	11	4		100
Business Rates						
(Surplus)/deficit brought forward	(232)	(432)		(6)	90	(580)
(Surplus)/deficit for year	284	(53)		7	472	710
(Surplus)/deficit carried forward	52	(485)		1	562	130

18.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and ratepayers compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

2019/20	Collection Fund Adjustment Account	2020/21
£'000		£'000
(19)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements	88
284	Amount by which non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from Non-domestic Rate Income calculated for the year in accordance with statutory requirements	5,188
265	Total increase/(decrease) in Collection Fund Adjustment Account	5,276
(201)	Balance brought forward at 1 April	64
265	Movement in year	5,276
64	Balance carried forward at 31 March	5,340

**19 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GRAVESHAM BOROUGH COUNCIL**

TO BE INSERTED

20 GLOSSARY OF TERMS

Accounting Period

The financial year (twelve-month period) commencing 1 April and ending 31 March (of the following year).

Accounting Policies

The principles and practises that must be applied to financial statements by a Local Authority to meet the requirements of Central Government, external audit and other accounting bodies.

Accrual

An adjustment for either income that relates to a given period, but which is not yet reflected in the accounts or expenses that have been incurred within a given period but not recorded in the accounts to date.

Actuarial Gains and Losses

A professional assessment of the increases or decreases in the projected obligations of a defined benefit pension scheme as a result of a (periodic) re-evaluation of the assumptions made in the previous assessment.

Budget

An estimate of expenditure and income for a set period of time.

Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

Capital Expenditure

Expenditure on acquiring fixed and tangible assets (such as land, buildings and equipment) that will be used beyond 31 March or expenditure that adds value or maintains existing fixed assets.

Capital Financing

Funds used to pay for capital expenditure.

Capital Receipts

A receipt of money from the sale of fixed or tangible assets that yield benefit to the Council. Capital receipts are used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

Cash and cash equivalents

Internally managed short-term highly liquid investments (of three months or less from the date of acquisition) are recognised as cash equivalents, being easily convertible into a specified amount of cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accounting body dealing with local government finance.

Collection Fund

The Fund in which all the income collected from Council Tax and Business Rates is paid into. The funds that the Council needs to run its services (as set out in its budget) are paid out of the Collection Fund.

Community Assets

Assets that the Council intends to hold in perpetuity, that furthers the social wellbeing and interests of the local community and that may have restrictions placed on their disposal (such as parks and historic buildings).

Contingent Asset

A potential asset for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically, a contingent asset is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

Contingent Liability

A potential liability for the Council that is dependent on the outcome of a decision or action outside of the Council's control. Typically, a contingent liability is related to a legal action involving the authority, the outcome of which is uncertain at the time of preparing the balance sheet.

Creditors

Individuals and organisations that are owed amounts by the Council where payments for goods and services pertaining to the financial year have not been made by 31 March.

Current Assets

A current asset is one that is held as at 31 March of the relevant financial year but expected to be consumed or realised by 31 March the following year.

Current Liabilities

A current liability is one that is held as outstanding as at 31 March of the relevant financial year but expected to be paid or discharged by 31 March the following year.

Debtors

Individuals and organisations that owe amounts to the Authority for goods and services pertaining to the financial year, but which have not been received by 31 March.

De Minimis

The Council applies a de-minimis or minimum value of £12,000 for the acquisition, creation or enhancement of fixed assets before this expenditure is treated as capital. Any expenditure below this level is treated as an operational expense in the financial year during which it has been incurred.

Depreciation/Amortisation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed or tangible asset.

Equity in Rosherville

This refers to the interest the Council has in the Rosherville Group for which it is the sole shareholder.

Fair Value

The best estimate of the potential market price of a good, service, or asset.

Financial Instrument

Monetary contracts between parties that can be created, traded, modified and settled. Examples would include investments in shares and equity instruments, bonds and loans.

General Fund

An account providing details of expenditure on day-to-day operational costs of council services excluding those shown in the Collection Fund and those shown in the Housing Revenue Account, which are recorded separately.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account (HRA)

An account that is kept entirely separate from the General Fund and which includes income and expenditure arising from the provision of housing by the Council as a landlord.

Impairment

Impairment is where the book value (or carrying value) of an asset exceeds the amount that could be recovered through use or sale of the asset.

International Financial Reporting Standards (IFRS)

The standards that have been produced and adopted to govern accounting and the move to more globally recognised practices.

Investments

Investments fall into two categories :

Short-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is less than one year; and

Long-term investments where the duration between the Balance Sheet date and the date the Council intends to redeem the investment is more than one year.

LATCo

LATCo stands in general for “Local Authority Trading Company” in the Council’s accounts, relates to the Rosherville Group of companies for which the Council is 100% shareholder.

Lease

A legal contract that allows the use of an asset through a formal rental agreement for a specified period of time at a specified cost. Leases fall into two categories :

GLOSSARY OF TERMS

A **finance lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An **operating lease** is any other lease that is not a finance lease.

Liabilities

Those amounts which will become payable by the authority either in the short or long term.

Minimum Revenue Provision

MRP is a charge those councils that are not debt-free are required to make in their accounts for the repayment of debt and which is needed to finance their capital programme.

Net Asset Value

The value of a fund's assets less the value of its liabilities. The measure is often used as a measurement to assist in identifying whether a fund is overvalued or undervalued.

Non-Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year

Non-Domestic Rate

Amounts payable to local authorities by organisations or businesses from non-domestic properties.

Outturn

The actual results for the financial year specified.

Overheads

Management and administrative costs (including those of buildings) - the majority of which are allocated across council services to reflect the true cost of services.

Pooled Investment

An investment that uses funds from a number of individual investors, which are then combined into a single investment fund.

Precept

The requests made by precepting authorities to billing authorities, e.g. Gravesham Borough Council. The major precepting authorities are Kent County Council, Kent Police and Crime Commissioner and the Kent and Medway Fire and Rescue Authority. These precepts are shown in the Collection Fund.

Parish Councils are local precepting authorities, e.g. Vigo Parish Council, who raise money by means of a precept on the relevant billing authority's General Fund.

Property, Plant & Equipment

All assets with physical substance that are used in the production or supply of goods and services that are expected to be used beyond 31 March of the relevant financial year.

Public Works Loan Board

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

Rateable Value

The VOA gives a rateable value (RV) to each non-domestic property, and this is used to calculate a property's business rates.

Reserve

A sum that has been set aside for use in future and earmarked for spending only on a specific purpose in order to prevent the funds from being used on other items of general expenditure.

Revaluation Reserve

This account is the accumulation of net surpluses that have arisen from the revaluation of fixed and tangible assets and is required under fair value accounting to deal with the current values of these assets.

Revenue Expenditure

The costs related to the day-to-day running of services such as salaries and energy costs.

Revenue Support Grant

A grant paid by Central Government to aid Local Authority services in general as opposed to specific grants which may only be used for a specific purpose. These are credited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement. (The Council may also receive other non-specific grants, and these are shown with the Revenue Support Grant in the "Taxation and Non-Specific Grant Income" line in the Comprehensive Income and Expenditure Statement.)

Section 151 Officer

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director (Corporate Services) is the Council's Section 151 Officer.

Soft Loans

Loans made by the authority below prevailing interest rates (i.e. interest free or low interest loans) and include loans made to local voluntary sector organisations that undertake activities that the authority considers benefits the local population.

Virement

An approved transfer of funds from one part of a budget to another, usually to meet a planned overspend in one section of a budget and which can be met by a planned underspend in another section of the budget.

Valuation Office Agency (VOA)

The government agency responsible for valuations and property advice for business and residential properties.

Working Balances

The revenue reserves of an authority made up of the accumulated surplus of income over expenditure on the General Fund or the Housing Revenue Account which may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income and may be used to reduce the Council Tax.

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